AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Friday, 01 December 2023

Democratic and Members' Services
Emma Duncan
Service Director: Legal and Governance

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

Red Kite Room
New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE

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

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The Audit and Accounts Committee comprises the following members:

Councillor Graham Wilson (Chair) Councillor Nick Gay (Vice-Chair) and Mr Mohammed Hussain Councillor Chris Boden Councillor Mac McGuire Councillor Geoffrey Seeff Councillor Alan Sharp Councillor Alison Whelan

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

Date: 28th September 2023

Time: 2.00pm – 3.55pm

Place: New Shire Hall, Alconbury Weald

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

Officers: Dawn Cave, Mairead Claydon and Michael Hudson;
Fiona Coates, Tom Kelly and Mark Hodgson (EY) (relevant agenda items only)

136. Apologies for Absence and Declarations of Interest

Apologies were received from independent co-optee, Mohammed Hussain, and Councillor McGuire.

Councillors Boden, Sharp and Whelan declared non-pecuniary interests as Members of the Cambridgeshire Pension Fund Committee and Investment Sub-Committee.

137. Minutes of the Committee meeting held 28th July 2023 and Action Log

It was resolved unanimously to approve the public minutes of the Committee meeting held 28th July 2023.

In relation to item 133 on the Action Log, the Chair advised that the next meeting of the East of England Audit Committee Group would be held on 11th October, and he planned to raise the Local Authority audit workload issues at that meeting.

The Action Log was noted.

138. Petitions and Public Questions

There were no petitions or public questions.

139. Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2022-23

The Committee considered the Cambridgeshire Pension Fund External Audit Plan for the year ended 31 March 2023. The Audit Plan identified the key risks and areas of auditor focus, and the Auditor's planned approach to these risk areas. The audit was almost complete, one of the main outstanding items being the Level 3 investments and adjustments. The Annual Report and draft Statement of Accounts had been considered by the Pension Fund Committee at its meeting in July. The final report and accounts would be presented to the next Audit and Accounts Committee meeting.

Introducing the report, the External Auditor, Mark Hodgson of EY, advised that in terms of timelines, the Plan for the Pension Fund audit for 2022-23 year was being presented, acknowledging that the Audit opinion for 2021-22 had not yet been concluded.

In terms of the Audit Plan, Mr Hodgson:

- briefly detailed the audit risks, which were entirely consistent with prior years;
- commented that the Pension Fund's year on year position was very stable;
- advised that Materiality had been set at £42M, which was 1% of the Pension Fund net assets;
- confirmed that the Audit was nearly complete, and it was envisaged that the full audit report would be available to the next Committee's meeting.

Councillor Whelan, speaking as Chair of the Pension Fund Committee, advised that she was happy with the Audit Plan as presented, and commented that there were always challenges around securing a timely valuation of the Level 3 investments.

A Member asked about the historical context for the inclusion of the Cambridge & Counties Bank in the Fund's investment portfolio, and whether this should be replaced with more conventional assets. Mr Hodgson advised that from an audit perspective, private banks were an unusual asset for a Pension Fund to hold, and this asset required its own specialist valuation. Councillor Whelan advised that she had raised concerns about this investment from the commencement of her tenure on the Pension Fund Committee, and this had been identified an area for the Pension Fund Committee to review.

The Chair relayed a question from Mr Hussain, the new independent co-opted Committee Member. Mr Hussain had observed that the Cambridge & Counties Bank's net lending had increased by 6% from 2021 to 2022, and profit before tax had increased by 54%, driven by a material change in the net margin due to higher base rates. He asked if EY would be assessing the reasonableness of the base rates used in the projection of future cashflows, as this would have a significant impact on the overall valuation of the bank? Mr Hodgson advised that inflation rates and interest rates were key assumptions, and would be subject to audit procedures. He also confirmed that it was within the scope of the audit to ask if investments were held in line with the strategy of the Pension Fund at the time they were made, but beyond that requirement, and being reassured that the performance of that asset was being monitored and reviewed, it was not within the External Auditor's remit to assess the appropriateness of an asset. Committee Members were pleased to note that Cambridge & Counties Bank had very positive financial statements, but observed that it was an area of interest for the Pension Fund Committee, in terms of the appropriateness of the asset within the Fund's portfolio, and the fact that the Council had a 50% interest in this asset.

A Member noted that audit differences of more than £2.1M would be reported, along with *"other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee".* It was confirmed that any fraud would be reported back to the Committee, regardless of quantum. The Member suggested that audit differences of a lower level, of that nature, could be reported back to the Committee automatically, as whilst relatively small, such differences could have important governance implications. The External Auditor remarked that reducing the audit difference threshold was possible but had consequences in terms of audit fee. The level set was based on a standard methodology. The Member was surprised at the implication that there were a number of potential audit differences between £210K and £2.1M, and that such an action would therefore lead to an increase in reporting, and hence the audit fee? There was also the question on whether cumulative errors would exceed the £2.1M threshold. Members were reassured by the Executive Director that for the majority of valuations, there was clear third party evidence. It was confirmed that misstatements of any level, and related discussions with the external auditors arising from those misstatements would be reported to Committee by officers.

The External Auditor clarified that the audit methodology was designed to reduce to an acceptable threshold the possibility of cumulative material audit errors: the threshold was set for reporting rather than materiality. The procedures to identify errors would not be different, the testing threshold picks up points that require External Auditor review, but "trivial" errors would not require that review.

In response to a Member question, it was confirmed that the Triennial Valuation on 31st March 2023, whilst impacting on 31/03/22 balances, was mainly a forward looking funding element, and the key issue arising from the Triennial Valuation in terms of the audit related to the assurances provided to Admitted Bodies. The audit risk related to the procedures on IAS19, rather than a Pension Fund risk, because the Triennial Valuation relied on data from the Admitted Bodies. Testing would be carried out at that level, and the costs dispersed back to those Admitted Bodies.

Noting the reference to greater innovation through technology and enhanced assurance and insight, there was a query about how the Pension Fund audit benefitted from those advances, compared to previous years? The External Auditor advised that this wording related primarily to data analytics which were being deployed globally, and had already been used for several years as the relevant transactions were reasonably concise and easy to assess.

It was resolved unanimously to note the Audit Plan 2022-23 and the presentation by Ernst and Young.

140. Financial Reporting and related matters

The Committee considered a report which covered 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 2022/23, which were published at the end of July. The report also covered the backlog issues for audit work nationally.

The Committee was disappointed to note that the Objections received in 2017 and 2018 that were with the previous auditor, BDO, had regrettably not yet been determined by BDO. Officers continued to liaise regularly with BDO, and had received a further query from BDO since the July Committee meeting. Members observed that it had been seven months since BDO's national Head of Audit had reassured the Committee that this matter was a top priority for BDO's public sector team. Officers had recently have been advised that BDO's resources had been reallocated to other work. A Member suggested that, subject to officer advice, a view should be taken on whether to report this matter to the Financial Reporting Council (FRC) given the ongoing, unprofessional way this work was still not concluded. The Executive Director for Finance and Resources advised that with the Committee's support, along with the Chair he would escalate this issue on behalf of the Committee. Another Member observed that the Council could have three auditors with outstanding work because BDO had not completed their work, and there would be knock on effects. It was noted that the BDO delays impacted on both the work of

Finance staff and the current External Auditor, EY. The Chair confirmed that with the Executive Director for Finance and Resources, Vice Chair and Councillor Boden, he would write to the FRC expressing their strong disappointment with the performance of BDO. Action required.

The Committee noted that:

- EY had been able to resume work on the Council's use of resources which would lead to their VFM opinion for the years 2018-19, 2019-20, 2020-21 and 2021-22, and planned to report to the next Committee meeting on each of those years, providing the relevant information requested for each of those years was received. The earlier years reflected some of the weaknesses arising from the 2017-18 work. It was confirmed that the Finance, Internal Audit and Commercial and Procurement teams were prioritising responses to queries received from EY;

- Significant progress had been made with the financial statements work for 2021-22. An update from EY was appended to the report, which highlighted some of the main areas outstanding, including work around the long term debtor This Land. In response to a Member question, it was confirmed that the This Land Business Plan indicated an appreciable surplus, and EY were checking the assurances received from that debtor, and testing underlying assumptions such as inflation indices and strategic land sites. The Assets and Procurement Committee was now the shareholder Committee for This Land and would be keeping the performance and governance of This Land under review, including the likelihood of full and timely repayment of loans, acknowledging the risks and sensitivities with this venture;

- As previously advised, EY were not currently in a position to provide timescales for commencing the audit for financial statements 2022-23 for the Council, in common with EY's other local authority clients;

- The inspection period of accounts had concluded. As in previous years, many documents were made available to local objectors as part of that statutory process. Whilst noting that electors' rights were a fundamental democratic entitlement, a Member asked whether the same issues being raised repeatedly by the same individuals could be deemed vexatious? Officers confirmed that considerable internal resources had been focused on servicing inspection requests, and, with the respect to the objections, there appeared, to Council officers, to be a degree of repetition, which was another reason why it would be helpful to have BDO's work on the previous objections concluded, but ultimately it would be for the EY to make a decision on how the latest objections would be progressed, i.e. the approach to consideration of the objections, and this had not yet been determined. A Member noted that as part of the determination of previous objections, provisions had been invoked that required the complainant not to disclose certain information received, and it appeared that stipulation had been infringed. The External Auditor confirmed that such a provision had been included, and EY was considering its position;

- A Member noted the statement in the report that *"unreconciled debtor balance – the Council has been asked to provide further explanation and evidence of system balances, following progress with resolving a VAT debtor balance. Further evidence is being to support the Council's assessment".* He expressed concern about the "system balance<u>s</u>", and asked if there was a wider problem with unreconciled debtor balances, or was it just the VAT issue? Officers confirmed there had been progress with VAT reconciliations, but there were other debtor balances relating to an isolated historic issue stemming from a system migration. Officers briefly outlined the issues, and the Member suggested that the Committee may be interested in looking at this situation in further detail in future, Officers agreed to include a section on this in a future report. Action required;

- With regard to Property, Plant & Equipment assets, and in light of the national issue over Reinforced Autoclaved Aerated Concrete (RAAC), a Member asked how often the relevant policies were reviewed, especially on condition surveys. It was confirmed that the Accounting Policy was reviewed annually, and that officers liaised with valuers when working on the statement of accounts, identifying a sample of properties, which were valued against a range of factors including market position, occupation and condition surveys. It was confirmed that the Council had no schools or any other buildings with RAAC, but whenever such issues arose, officers would consider whether a further valuation was warranted. It was further noted that the componentisation of assets requirement required the Council to split out buildings and assets, where that component element became material, and that was kept under review;

- In response to a Member query, the Executive Director for Finance and Resources advised that he had appeared before the Department for Levelling-up Housing and Communities (DLUHC) Select Committee, and he updated Members on the outcomes from the subsequent consultations. The Council was pushing for a resolution on these matters, as external auditors were only currently completing work on Pension Fund audits due to the capacity within the sector and audit delays. The different options being considered by government including backstop dates for prior years and disclaimer opinions were outlined. The Executive Director for Finance and Resources advocated for the Value for Money opinion having a much higher profile than currently, and gave examples in relation to the Birmingham City Council issues. He also favoured moving away from the requirement to provide accounts by 31st May, as this was unachievable, and a backstop date for the completion of the audit would be more realistic. He concluded by saying a decision was required nationally on a system reset so that there was clarity moving forward. A Member agreed, and commented that auditors were being asked to audit enormous quantities of information which was of little use to users of the accounts. It was noted that HM Treasury, along with the FRC and CIPFA were looking at a number of factors such as valuations and levels of materiality, and if could determine some simplifications would enable capacity and reset within system. The External Auditor acknowledged the Executive Director's comments, the Minister's letter in July had set out two, mutually exclusive objectives. All audit firms had been engaged in dialogue over the summer with FRC and DLUHC. The urgency had been stressed, given the approaching deadlines for commencing audits. Until the guidance was received, external auditors were unable to plan effectively for either 2022-23 or 2023-24.

The Chair concluded that the Committee awaited guidance from government, as all relevant representations had been made. However, the Committee was concerned that the Council should have a set of accounts that have been appropriately assessed.

(Cllr Sharp left the meeting)

The Committee noted that there was a consultation running until 10/10/23 from PSAA on fees, based on an 150% uplift. There had been indications that additional funding may be made available from central government to support local authorities.

Members noted that there had been positive opening meetings with KPMG, who would be the Council's new auditor for 2023/24 onwards. KPMG were currently not a supplier in the Local Authority arena, so they did not have the backlog issues experienced by other firms. With caveats on uncertainty on exact timescales, the report set out different categories of enhancements which were being made to processes, and reviewed the points where there had been particular bottlenecks, which focused on fixed asset valuations.

The Chair advised that he had a number of mainly technical questions from Mr Hussain which he would share with officers for a response.

It was resolved unanimously to note the report and the appended progress report from the External Auditor.

141. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 31st August 2023.

Presenting the report, officers highlighted the following areas:

- the current resourcing issues, including attempts to recruit staff and the procurement of an external provider for internal audit professionals. The contract documentation for the latter should be finalised shortly, with work staring early in October;
- the audit plan for next four quarters. Following the significant refresh to the plan in July, there had only been minor updates to the audit plan;
- that there were currently 70 overdue actions for implementation, including one outstanding action related "Essential" relating to the Public Service Network certification;
- the administration of the Pension Fund Internal Audit had been received from West Northamptonshire Council with Substantial assurance, albeit compliance was based on a single walk through test;
- with regard to the ERP/IT controls, a Good opinion had been given;
- a final Payroll report had been received from WNC, but again, the review was based on single walk through testing. More detail on the Payroll report would be presented to the next meeting.

Discussions were being concluded on the allocation of key financial systems audits for next year among the Lead Authorities. The current proposal was that Cambridgeshire would undertake the Payroll and Pensions audits, North Northamptonshire Council would cover Accounts Payable, and West Northamptonshire Council would cover Income and Debt audits. This Plan would be confirmed by the Lead Authority Board in October. The Chair noted the issues around performance of the West Northamptonshire Council Internal Audit team, in terms of delays and lack of detail in the audit report. Officers outlined the challenges that team was facing.

In terms of delivering audit programme detailed in the report, the Head of Internal Audit and Risk Management was reasonably optimistic, given the support that would be afforded by the external provider. In addition, there were interviews shortly for some principal and senior auditor roles.

The implementation of actions continued to be challenging, especially given the volume of actions, and following up those actions was time consuming for the Internal Audit team. It was confirmed that the implementation of outstanding audit actions was regularly considered at both the Corporate Leadership Team and the Statutory Officers meetings. It was also noted that the largest proportion of outstanding recommendations was in Finance and Resources teams, and the Executive Director of Finance and Resources was tasked with overseeing the clearance of this backlog. The Executive Director remarked that some of the deadlines set previously had been ambitious, and these were being reviewed.

A Member noted that three of the five high level recommendations were for the Public Health service. Officers confirmed that two of those Public Health recommendations specifically related to open book accounting: the Service recognised that it did not currently have the expertise within their team to conduct open book accounting, and this was being addressed, and appropriate support was being secured. The Member expressed concern given the fundamental nature of open book accounting, but was reassured by the measures being undertaken at a senior level to address this lack of capability.

It was resolved unanimously that the comments recorded be adopted on the proposed revised Internal Audit Plan for 2023/24, outlined at Section 6 of the report.

142. Annual Report of the Audit and Accounts Committee

The Committee considered the draft Audit and Accounts Committee Annual Report for 2022-23, which summarised the Committee's annual work programme. The Annual Report would be presented to the December meeting of full Council by the Chair. It gave assurances to full Council and stakeholders that the Committee had fulfilled its responsibilities, set out in paragraph 2.6 of the covering report.

Councillor Boden requested that an additional paragraph be included at 2.4 of the report, stating *"The Committee and its Members conducted the business of the Committee throughout the year in a non-party political manner."* He felt it was important to recognise this, as it was not the case for all Audit and Accounts Committees, and all Members were working non-politically in the interests of the Council. Members agreed unanimously to include this additional paragraph.

The Chair noted a comment in the External Auditor's progress report that *"We have identified that a number of the matters disclosed under the 'significant governance issues' section (Section 3.2) do not reflect significant governance issues and therefore should be included separately within this Statement, if referred to at all"*. Officers confirmed that the Annual Governance Statement was normally finalised alongside the accounts, and until that point this was technically an active document. The detail that the External Auditor referred to had not yet been communicated to officers.

The Executive Director for Finance and Resources commented that the Annual Governance Statement was one of the Council's most important documents, and it was important that a true and honest Annual Governance Statement was presented to Committee. He highlighted the difficulties experienced by those local authorities which did not prioritise governance and challenging the way decisions were made.

There was a discussion on the wording of the Head of Internal Audit's annual opinion report, and it was noted that wording should not be changed at this stage. However, further context could be provided in the Annual Report. The Chair advised that his presentation to full Council would look forward as well as retrospectively, and would pick up on the recent co-option and the employment of external resources, and any additional pertinent facts which emerged before the Council meeting.

It was resolved unanimously to adopt the proposed amended annual report to Full Council and subsequently to agree any changes required.

143. Committee Agenda Plan and Training

The Committee considered the Committee Agenda Plan. The following points were noted:

- It was still uncertain whether the Statement of Accounts would be available for the December meeting;
- The Committee would be updated as soon as any information was available from DHLUC;
- FACT update – Committee and Agenda Plan to be updated.

It was resolved to note the Agenda Plan.

Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 23rd November 2023 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 24th November 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
98.	Financial Reporting and External Audit Update	Michael Hudson	Regarding BDO's continued underperformance, agreed that the Chief Executive would formally engage with BDO's official complaints procedure, and also with the regulator, ICAEW, if no satisfactory response was received	We have continued to liaise with BDO and flag this with other audit system stakeholders and update is provided in today's Committee papers.	In progress
Minutes of 9th February 2023					
109.	Financial Reporting and External Audit Update	Stephen Howarth/ Ellie Tod	A Member requested that when the final accounts were reported to the Committee, a list was also provided of unadjusted differences that had emerged from the audit, including an explanation on the decision not to adjust them.	EY's progress report at this meeting records the reportable differences logged. Officers will also provide a complete list to Committee Members following the conclusion of the audit and our stance on differences we would intend to remain as uncorrected.	In progress

Minutes of 26th May 2023					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
123.	Procurement and Commercial Annual Report	Michael Hudson	Member briefing on the implications of the Procurement Act in the Autumn.	Member training is taking place on 29 November We will continue to cascade further updates on the Procurement Act and utilise the training plan for the new Assets and Procurement Committee	Complete
Minutes of 28th July 2023					
133.	Draft Cambridgeshire County Council Statement of Accounts 2022-23	Chair	Chair to raise issue of considerable pressures on LA audit teams through the East of England Audit Committee Group, to see if they could help steer the national debate.	Chair raised at meeting of East of England Audit Committee Group on 11/10/23.	Complete
Minutes of 28th September 2023					
140.	Financial Reporting and related matters	Chair/Michael Hudson	The Chair confirmed that with the Executive Director for Finance and Resources, Vice Chair and Cllr Boden, he would write to the FRC expressing their strong disappointment with the performance of BDO.	We have continued to liaise with BDO and flag this with other audit system stakeholders and update is provided in today's Committee papers.	In progress

140.	Financial Reporting and related matters	Tom Kelly/ Stephen Howarth	Officers confirmed there had been progress with VAT reconciliations, but there were other debtor balances relating to an isolated historic issue relating of IT system transfer. It was suggested that the Committee may be interested in looking at this situation in further detail in future, and officers agreed to include a section on this in a future report	Progress with this area continues to progress as part of the work needed to finalise the audit and minimise any differences to an acceptable level. An update on this will be included in a future Committee report.	In progress

Agenda Item No: 4

Debt Management Update

To:	Audit and Accounts Committee
Meeting Date:	1 December 2023
From:	Executive Director for Finance and Resources
Electoral division(s):	All
Outcome:	The Committee is updated on the Council's debt management performance and gains further understanding of challenges the level of overdue funds owed as adult social care client contributions. The report outlines the steps being taken to address the increases.
Recommendation:	The Committee is asked to note the actions and approach being taken to manage income collection and debt recovery

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1. Background

1.1 The purpose of this report is to provide an update on current debt management position following on from the previous report submitted to this committee in February 2023.

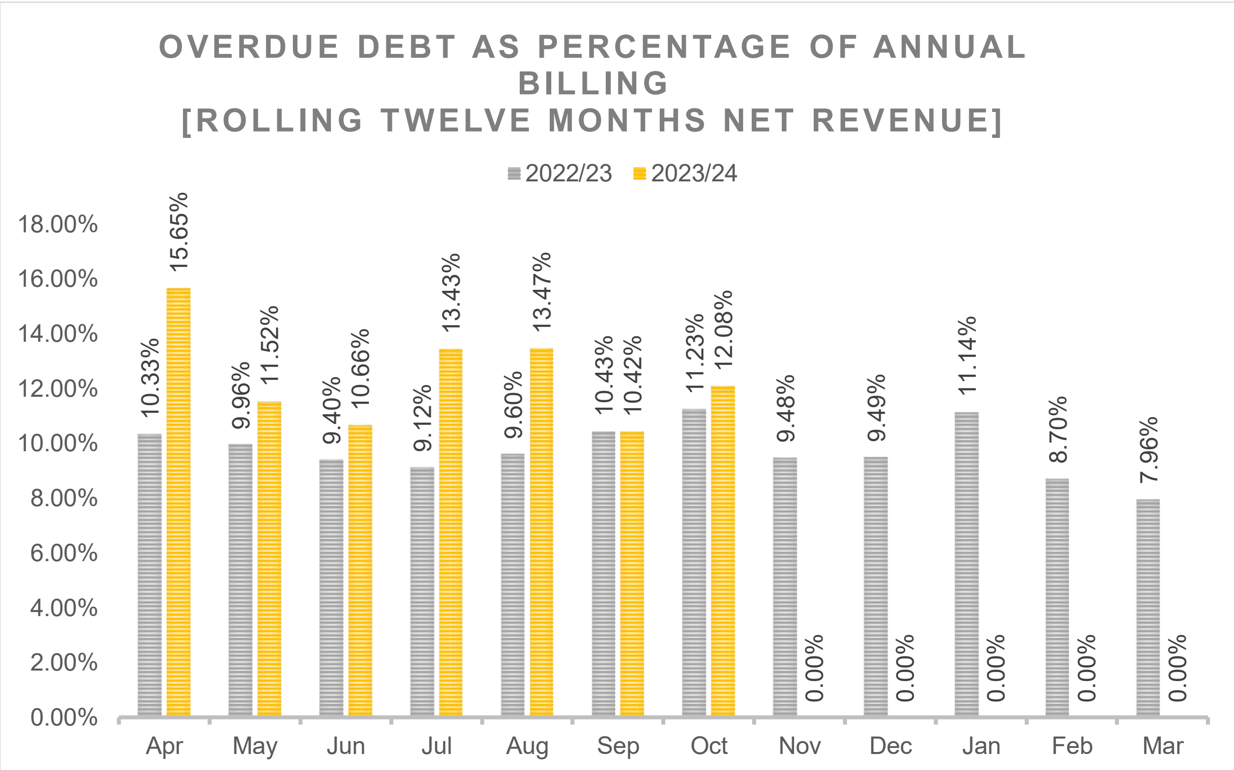
1.2 The balance sheet health metrics, that are reported in the Integrated Finance Monitoring Report at each meeting of the Strategy, Resources and Performance Committee record that there is a significant exception with the level of debt outstanding (91 days+) for Adult Social Care debt. Although metrics for percentage of income collected within 90 days is still meeting the target level, the absolute amount of overdue debt has risen by approximately £7m over the last 30 months. This reflects the rising levels of client contributions billed by the Council, due to inflationary effects, macro-economic issues (including the cost-of-living impacts on wider household finances), interacts with wider demand patterns and service issues facing the wider public sector as well as local developments specific to Cambridgeshire County Council.

2. Performance

2.1 Overall Debt position

2.1.1 The current total overall debt position is £29.8m, which represents an overall increase of £3.8m when comparing to the same period in 2022/23.

The below analysis shows that overdue debt now representing 12.08% of the revenue raised over the last twelve months, this is a raised position compared to 22/23 where overdue debt represented 11.23% of revenue.



Note:

- Increased billing in September of £30.5m compared to monthly average of £16.7m has led to an increase of £4.1m in debts just fallen due. The bulk of such debt should be collected during next couple of months. Excluding such debt, overdue percentage would be circa 10.5-11.5% similar to last year.

2.1.2 The tables below break down debt by Directorate and Debt Status:

Overall Age Debt Position - By Directorate

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

	Overdue			Trend Performance	
Directorate	**Current Month**	**Previous Month**	**Last Year**	**Monthly**	**Yearly**
Finance and Resources	£507,504	£520,363	£763,060	↑	↑
NHS Services	£5,693,195	£3,808,493	£7,020,506	↓	↑
Adults, Health & Commissioning	£18,843,256	£19,223,587	£15,199,443	→	↓
Children, Education & Families	£1,079,251	£2,223,315	£1,160,034	↑	↑
Place and Sustainability	£4,499,477	£4,634,538	£2,942,371	↑	↓
Public Health	£11,472	£11,472	-£80,546	→	↑
Strategy and Partnerships	£228,664	£112,848	£120,660	↓	↓
Unapplied	-£1,026,045	-£4,729,641	-£1,096,989	↑	↑
Grand Total	**£29,836,775**	**£25,804,974**	**£26,028,538**		

Key Insights:

- Year on Year reductions have been seen in the following Services:
  - £1.3m reduction in NHS 19%
  - £256K reduction in Finance & Resources circa 33%
  - £81k reduction in Children Education & Family 7%

- Year on Year Increases within the following Services:
  - £3.6m increase within Adults, Health & Commissiong which is across all age brackets (ASC Age Debt Analysis shown below in section 2.2)
  - £1.6m increase in Place & Sustainability, this position has improved in November.
  - £108K Increase in Strategy & Partnerships, which relates to two large invoices

2.2 ASC Age Debt Analysis

Overall Age Debt by - Debt Status
[Include monthly / Annual Trent Analysis - Movement on Overdue]

Debt Status	Current	1-30	31-90	91-183	184-365	366-730	730+	Grand Total	Overdue			Trend Performance	
									Current Month	Previous Month	Last Year	Mthly	Yrly
Automated Dunning Cycle	£77	£445,642	£404,243	£5,076	£6,186	£3,363	£0	£864,588	£864,511	£1,245,797	£4,018	↑	↓
Awaiting Appointee / Court of Protection / Power of Attorney	£292,936	£232,134	£484,587	£859,005	£1,261,750	£1,526,364	£583,213	£5,239,989	£4,947,053	£4,649,074	£3,029,374	↓	↓
Awaiting Service Response	£52,053	£77,441	£202,215	£465,903	£448,598	£792,446	£396,389	£2,435,044	£2,382,991	£2,236,938	£1,238,106	↓	↓
DCA Action - Ongoing	£0	£0	£0	£0	£0	£5,709	£29,498	£35,207	£35,207	£42,877	£0	↑	→
Debt Team Dealing	£0	£20,601	£538,027	£621,624	£496,030	£402,924	£392,785	£2,471,991	£2,471,991	£2,287,216	£4,881,419	↓	↑
Deceased - Pending Probate / Settlement of Account	£166,534	£140,992	£327,615	£874,818	£1,078,046	£1,332,139	£1,703,989	£5,624,132	£5,457,598	£5,480,993	£4,183,939	→	↓
Full Cost Non-Disclosure	£0	£0	£12,659	£27,331	£32,929	£100,253	£117,767	£290,940	£290,940	£290,940	£153,620	→	↓
Income Team Dealing	-£69,301	-£74,707	£122,507	£225,827	£216,574	£281,664	£39,912	£742,474	£811,776	£1,315,695	£249,098	↑	↓
Legal Action - Ongoing	£0	£0	£3,922	£14,598	£27,633	£48,713	£365,346	£460,211	£460,211	£460,211	£381,918	→	↓
Payment Plan	£1,171	£2,179	£12,496	£36,255	£60,935	£117,348	£334,878	£565,262	£564,091	£564,798	£515,446	→	↓
Pending Write-off	£0	£2,615	£3,004	£5,748	£3,581	£17,686	£97,697	£130,332	£130,332	£110,042	£173,969	↓	↑
Pre-Dunning Cycle	£3,044,093	£277,148	£2,011	£0	£0	£0	£0	£3,323,251	£279,158	£391,610	£0	↑	→
Secured Property Charge	£0	£0	£0	£0	£2,428	£10,827	£134,141	£147,396	£147,396	£147,396	£388,536	→	↑
Grand Total	**£3,487,561**	**£1,124,044**	**£2,113,285**	**£3,136,186**	**£3,634,690**	**£4,639,436**	**£4,195,615**	**£22,330,817**	**£18,843,256**	**£19,223,587**	**£15,199,443**		

Key Highlights
ASC has seen a £3.6m increase over the last twelve months across all age brackets, with £1.9m relating to aged debts that are more than a year old. In the main the increase is across four key areas as shown below:

- £1.9m increase in debts awaiting Court of Protection (COP) decisions – These debts are where Service Users have lost capacity to manage their financial affairs and applications are made to the COP for a family member, Advocate or the council through Client Funds to take over responsibility for property and affairs decisions. The Council has seen a significant increase in the time that such applications are completed from 16 weeks to 9 months or more. This problem is not specific to the Council and is a national problem.

- £1.1m increase in debts requiring support from ASC – Due to the vulnerable nature of the customer base these debts can be quite complex in some cases. Debts are likely to be overstated where customer is initially assessed as ‘Full Cost’ and then reassessed (as a result of a change in circumstances or where a customer had not previously engaged with the Councils financial assessment process) resulting in a lower contribution and therefore a reduction in debt.

- £563k increase in respect of queries being managed by the Income Team, where investigations are ongoing in respect of customers who have advised payment has been made. Payment allocation difficulties can be caused where customer do not provide enough details of the service they are paying for.

2.3 Collection Rates

Collection rate for 2022/23 shows that 96% of all revenue billed has been collected as shown in the below table with 90% being secured within the first 90 days.

The table below shows the in-year collection performance for 2022/23:

				Income Collected [£]	Performance - % Collected
Financial Year	**Period**	**Number of Invoices**	**Invoiced Amount**	**Total to Date**	**Total to Date**
2022/23	Apr-22	5,795	23,024,638	22,480,715	98%
	May-22	4,974	14,424,471	13,781,916	96%
	Jun-22	6,724	20,970,629	20,126,958	96%
	Jul-22	6,407	11,809,621	11,081,139	94%
	Aug-22	7,159	17,035,501	16,392,677	96%
	Sep-22	5,013	21,440,314	20,916,593	98%
	Oct-22	7,291	14,129,365	13,256,617	94%
	Nov-22	5,646	17,842,565	16,980,377	95%
	Dec-22	5,468	16,678,268	16,139,860	97%
	Jan-23	6,605	9,735,727	8,966,513	92%
	Feb-23	5,519	22,965,718	22,273,302	97%
	Mar-23	6,864	62,883,658	61,616,135	98%

Collection rate for the first two quarters of 2023/24 shows a collection performance of 81%, collection performance will continue to improve over the coming period.

The table below shows the in-year collection performance for 2023/24:

				Income Collected [£]	Performance - % Collected
Financial Year	**Period**	**Number of Invoices**	**Invoiced Amount**	**Total to Date**	**Total to Date**
2023/24	Apr-23	5,757	12,778,814	11,592,033	91%
	May-23	7,331	12,167,109	10,554,333	87%
	Jun-23	7,329	18,128,767	16,159,971	89%
	Jul-23	5,692	18,772,442	15,156,400	81%
	Aug-23	7,429	10,372,652	7,602,416	73%
	Sep-23	7,286	31,143,628	20,712,406	67%
	Oct-23	5,966	13,613,527	1,397,173	10%

Recovery actions taken by the Debt Team to secure payment during the 2022/23 kept write-offs relatively low at £1.2m, which represents 0.47% of total revenue raised during the same period which totalled £231.7m, and write-offs for 2023/24 currently represents £334k 0.29% of year-to-date revenue of £117m.

3. Service Improvements

Through the business planning process, the Corporate Leadership Team commissioned a Deep Dive on Adult Social Care Debt and Client Contributions. This has resulted in a Debt Management Improvement Plan with initiatives assigned to the Corporate Finance Operations Service as well as Adult Social Care teams, particularly Financial Assessments.

This is in addition to previously reported Debt Service Improvement Plan, where work continues to deliver operational improvements.

3.1 Actions since last reporting period:

3.1.1 Adult Social Care Debt and Client Contributions Deep Dive

The Audit & Accounts Committee alongside the former Strategy & Resources Committee identified that the substantial increase of the Council's debt since the pandemic has led to a significant pressure on the Council's Finances and urgent action is needed to stem and redress this position.

The Corporate Leadership Team have reviewed a deep dive of the escalating debt position and approved a 12-month change project to improve collection, strategy, process and operations, as well as target a £1 million reduction in the bad debt provision. This project will be monitored by CLT and Committee.

Improvements in the following areas have been identified:

3.1.2. Financial Assessments

Reduce backlogs through service improvement actions, which will support a reduction in debt and improved income collection.

Implement operational deep dives to review process and technology for improvements to efficiency and effectiveness.

Continue to recruit to reach full establishment, with two new starters in August, and one further role to recruit to.

3.1.3 Improve digitalisation

Implement an online Portal within Financial Assessments to improve efficiency and possible automation.

Explore the use of Mosaic as core billing system or improved interfaces, which will require a full review of business processes and any operational risks from such a change.

Channel shift customers to preferred methods of payment where Direct Debit would be the most effective method of payment.

Increase paperless billing and reminders to improve customer experience and reduce operational costs through better use of technology.

3.1.4 Debt Team

Perform a review of the current operating target model, identifying and implementing improvements that will increase revenue streams for the council. Work has already commenced with the recruitment of a Strategic Exchequer Manager which came into effect on the 6 November 2023.

This role will oversee the Debt team, the Deep Dive and implement key improvement activity, including:

- Lead the provision of sound income collection and recovery strategies and technical guidance, both internal to and external to Financial Operations and develop effective relationships with appropriate national bodies and other local authorities, to inform and enhance the quality of the work of the post-holder's team.

- Work collaboratively with other service areas, on projects and programmes that support developments/improvements for the Debt and Income Service in a professional and positive way. To facilitate the execution of the Council's Use of Resources and Value for Money strategies by providing Income and recovery support, analysis, and interpretation.

- Ensuring that the service delivers long-term positive outcomes locally for people and communities. Build and promote successful partnership working across all sectors and with service users to deliver more cost effective and valued services. Ensuring that the needs of service users are met by demonstrating behaviour which fosters equality of opportunity in service provision and employment.

The Deep Dive will be run as a formal project with senior sponsorship by an Executive Director. Standard project governance will be adopted. A high-level update on progress will be provided at future meetings.

3.1.5 Reduction in invoices sent via post

Further works continues to reduce the volume of invoices sent out via post. Volumes have reduced by a further 8.52%, compared to the last reporting period, with Adult Social Care reducing by 4.75%. Work will continue to continually improve the take up of emailed invoices, where Adults Finance Teams are proactively working to obtain email addresses where contact is made with customers.

Percentage of invoices printed and posted percentages by Customer Group.

	Nov-21	**Jan–23**	**Nov -23**
Commercial	43.23%	22.53%	16.93%
County Farms	79.79%	26.42%	13.39%
Individuals	75.40%	55.12%	43.58%
Managed Schools	42.57%	0.61%	0.00%
Adult Social Care	86.27%	81.87%	77.12%
All	**76.79%**	**67.93%**	**59.41%**

3.1.6 Income Management System

The new Income Management System (HeyCentric) was implemented by our Business System Colleagues in March 2023. The solution has delivered marginal resource savings, which will be fully realised once HeyCentric is rolled out to all of our Shared Service Partners (with North Northamptonshire the last to go live in January 2024).

This was a significant project impacting all payment channels accepted by the council and has been rolled out to CCC and West Northamptonshire Councils to date.

3.1.7 Additional training Professional support for Debt Officers

Training was delivered by an external organisation in March and April 2023 to our staff with regards to managing complex and challenging calls from customers. Following detailed feedback from the training we have worked collaboratively with our Wellbeing, Learning and Development and ASC

Customer Complaints Team to develop a follow up more detailed training session which is being delivered between November 2023 and January 2024.

Agenda Item No: 5

Consultancy and Agency Spend

To:	Audit and Accounts Committee
Meeting Date:	1st December 2023
From:	Executive Director Finance and Resources
Electoral division(s):	All
Outcome:	Committee is asked to consider the information contained in this report.
Recommendation:	The Committee is asked to note the information in the report and the action being taken.

Officer contact:
Name: Clare Ellis
Post: Head of Procurement and Commercial
Email: clare.ellis@cambridgeshire.gov.uk
Tel: 01480 372345

1. Background

1.1 Information on the Council's use of consultants, agency workers and interims is presented to this Committee on a six monthly basis for review.

1.2 This report covers Quarters 1 and 2 of 2023/24.

2. Main Issues

2.1 <u>Consultancy Spend</u>

2.1.1 The table below summarises the consultancy spend by Directorate for each of Quarters 1 and 2.

Directorate	Quarter 1	Quarter 2
Adults, health and commissioning	£6,295	£38,009
Children, education and families	£500	£14,130
Finance and Resources	£142,370	£86,008
Place and Sustainability	£385,105	£256,155
Strategy and Partnerships	£17,100	£43,505
Total	**£551,370**	**£437,807**

2.1.2 The sum for quarters 1 and 2 of 2022/23 was £1,274,965. The sum for the same 2 quarters in 2023/24 was £989,177 – a 22% reduction.

2.1.3 Expenditure with Milestone, through their procured contract, amounted to 45% of the Place and Sustainability spend in Quarter 1 and 10% in Quarter 2.

2.1.4 The consultancy approval process was available during the whole of the period represented by this report. The approved amounts are provided in the table below.

Directorate	Quarter 1	Quarter 2
People Services	£60,000	£0
Finance and Resources	£55,000	£375,000
Place and Sustainability	£118,900	£180,000
Strategy and Partnerships	£300,000	£110,000
Greater Cambridge Partnership[1]	£0	£1,000,000
Total	**£533,900**	**£1,665,000**

Please note, as previously discussed, the approval form is submitted to the relevant Chief Officer and Senior Finance Business Partner prior to any procurement activity and therefore it is not possible to directly compare approval amounts to spend. It is, however, clear, that the approval form is being used across the Council and to a significant degree.

2.1.5 It is possible, though, to provide some worked examples for how the approval form is working:

- Highways asset management: an approval form was completed prior to a compliant procurement ending in September 2023. The contract was

[1] This is not CCC budget but hosted by us.

successfully awarded and will start on 1st November 2023.

- Policy, design and delivery: the service area gained approval to procure various Net Zero related consultancy contracts. The tender was published in March 2023 under 4 Lots. 3 Lots were awarded in July 2023 and work commenced in October 2023.
- Internal audit and risk management: the service area gained approval to procure consultants for a co-sourcing contract, the tender was published in September 2023 and work is due to commence this month.

2.1.6 In order to further improve compliance, all consultancy requisitions valued over £5,000 now come to the Procurement and Commercial Team for approval. One of the pre-requisites of that approval is that there is a fully approved consultancy form in place.

2.2 Agency Spend

2.2.1 In quarter 1, the Council spent £4.64m on agency workers, this represented 11.2% of total workforce spending in that quarter and was an increase of £2.15m when compared to spend in the same quarter of 2022/23.

2.2.2 In quarter 2, the Council spent £4.8m on agency workers, this represented 11.6% of total workforce spending in that quarter and was an increase of £1.21m when compared to spend in the same quarter of 2022/23.

2.2.3 Spend through Opus in quarter 1 was £4.48m or 96.5% of all agency spend. In quarter 2 Opus spend was £4.56m or 95% of total agency spending.

2.2.4 The table below sets out spend by Directorate on agency staff.

Directorate	Quarter 1	Quarter 2
Public Health	£13,476.32	£50,229.92
Finance and Resources	£419,186.10	£507,995.96
Strategy and Partnerships	£37,241.65	£1,471.38
Children, Education and Families	£2,323,151.02	£2,102,700.29
Adults, Health and Commissioning	£881,835.37	£1,145,955.18
Place and Sustainability	£676,215.34	£662,388.92
GCP	£133,002.91	£124,373.07

2.2.5 During both quarters, 3 interims were employed via Opus costing a total of £135,391.

2.2.6 Spending on agency workers and interims in Children's, Education and Families remains high. The time period covered by this report coincides with the separation of services from Peterborough City Council, during that process there was a need for additional leadership capacity in Children's Services. To address this, vacant posts were (and in some cases still are) filled with interims on a temporary basis while permanent recruitment takes place.

2.2.7 Social care roles, particularly in the Children's Social Care team have a consistent reliance on agency staff. The Children's Workforce Programme Board has a specific workstream looking at how to improve recruitment in this area. This workstream aims to reduce reliance on agency workers by improving the Council's ability to directly employ individuals in social care roles.

3. Alignment with ambitions

3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

There are no significant implications for this ambition.

3.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

3.3 Health inequalities are reduced

There are no significant implications for this ambition.

3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

3.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.
.

3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications for this ambition.

3.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

4. Significant Implications

4.1 Resource Implications
The report above sets out details of significant implications in Section 2.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
The report sets out the significant implications in Section 2.2.

4.3 Statutory, Legal and Risk Implications
There are no significant risks for this category.

4.4 Equality and Diversity Implications
There are no significant risks for this category.

4.5 Engagement and Communications Implications
There are no significant risks for this category.

4.6 Localism and Local Member Involvement
There are no significant risks for this category.

4.7 Public Health Implications
There are no significant risks for this category.

4.8 Climate Change and Environment Implications on Priority:

4.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral

4.8.2 Implication 2: Low carbon transport.
Neutral

4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral

4.8.5 Implication 5: Water use, availability and management:
Neutral

4.8.6 Implication 6: Air Pollution.
Neutral

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.
Neutral

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? Yes
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? Yes
Name of Legal Officer: Gurdeep Sembhi

Have the equality and diversity implications been cleared by your EqIA Super User?
Yes
Name of Officer: Faye McCarthy

Have any engagement and communication implications been cleared by Communications?
Yes
Kathryn Rogerson

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
Name of Officer: Kate Parker

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer?
Yes
Name of Officer: Emily Bolton

Agenda Item No: 6

Pension Fund Annual Report and Statement of Accounts 2022-23

To: Audit and Accounts Committee

Meeting Date: 1st December 2023

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 2022-23 financial year.
2. Note the findings of external audit documented in the Audit Results Report.

Officer contact: Ben Barlow, Fund Accounting Manager

Ben.Barlow@westnorthants.gov.uk

Tel: 07896 890375

1. Background

1.1. The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor Ernst & Young (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 1 April 2022 to 31 March 2023 and that the SOA is free from material mis-statement.

1.2. The accounts are based on transactions accounted for within the Fund's financial ledger, information received from Investment Managers and the Fund's Custodian Northern Trust, 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.

1.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code), which governs the preparation of the financial statements for Local Government Pension Scheme funds. A 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).

1.4. 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.

1.5. The structure and content of the Annual Report is governed by guidance issued by the 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 decrease for the year was £73.6m, with the Fund's net assets falling to £4,231.8m reflecting negative performance in the first two quarters of the year.

2.3. Contribution receipts have increased from £134.6m to £148.9m. The increase in contributions payments reflects the increase in the average contribution rate for 2022-23.

2.4. Benefit payments have increased from £118.3m to £123.5m. 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 increased from £2.6m to £2.9m mainly due to salary and inflationary increases. Oversight and Governance costs have increased from £901k to £1.1m mainly due to higher actuarial cost for valuation. Investment Management fees have decreased from £22.1m to £21.0m mainly due to negative performance and the fees being based on assets under management (AUM).

2.6. The one-year investment return as at 31st March 2023 was a net market loss of £133.9m.

2.7. Investment income has increased from £30.7m in to £52.6m mainly due to large income distributions from Dodge and Cox, J O Hambro, Longview and M&G Alpha. Investment income is impacted by market performance however the main returns are reflected in market value increases.

2.8.

3. Cambridge & Counties Bank

3.1. Following a query raised at Audit and Accounts Committee in September about the historical context for the inclusion of the Cambridge & Counties Bank in the Fund's investment portfolio, a paper has been presented to the Pensions Investment Sub Committee in November.

3.2. The Committee discussed, the reasons for the original investment and current ownership of the Bank, recent performance and income received to date, valuation, management and exit strategies.

3.3. After an in-dept discussion, the Committee are content with the situation and will continue to receive regular updates.

3.4. A paper will be presented to the Audit and Accounts Committee in February 2024.

4. Findings and feedback from External Audit fieldwork

4.1. 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 Audit Results Report (Page 16).

"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 2023 and the amount and disposition of the fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022-23"

4.2. The Pension Fund's opinion cannot be finalised until the Council's audit has concluded.

4.3. There are two corrected differences identified during the audit:

- The investment asset balances included a number of estimated asset valuations for Level 3 assets, these are based on December 2022 actual valuations adjusted for cash flows to the 31 March 2023. The actual valuations received for these assets showed the investment asset balance was understated by £12.847m. This value is below materiality thresholds, however management have adjusted the investment assets.
- The valuation of Cambridge & Counties Bank (CCB) difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7million, which is £15.7 million lower than in the original version (£85.4 million).

4.4. The Final version of the Annual Report and Statement of Accounts will be published on the Fund's website and circulated to members.

5. Source documents

5.1. Appendix A Annual Report and Statement of Accounts 2022-23

5.2. Appendix B Audit Results Report 2022-23

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Michael Hudson 20/11/2023

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: Emma Duncan 21/11/2023

Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts

Year Ended 31 March 2023

Contents

Chair's Foreword

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 2022-23.

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, 2022 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 2023 and of its income and expenditure for the year 2022-23, and authorise the accounts for issue.

xxxxxx

Chief Finance Officer
(Section 151 Officer)
Dated: XXXXXXXXXXX

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

Joanne Kent – Systems and Projects Manager

Akhtar Pepper – Operations Manager

Cory Blose – Employer Services and Communications Manager

Michelle Oakensen – Governance and Regulations 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

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

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).

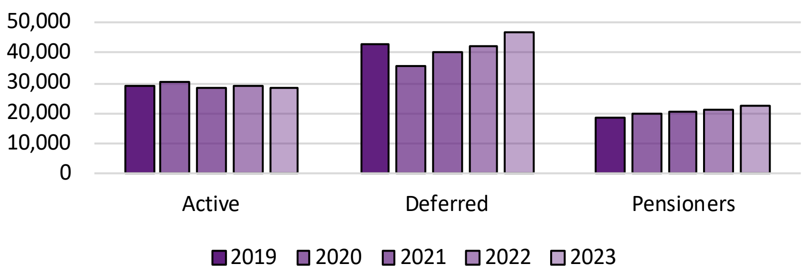
The Fund is a qualifying scheme under the automatic enrolment regulations and can be used by employers to automatically enrol eligible employees, and every three years re-enrol anyone who opts out of the scheme.

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 increased by 4.9% from the previous year.

On 31 March 2023 there were 28,067 active, 46,666 deferred and 22,414 pensioner members in the Fund. The deferred figure is inclusive of 11,412 open cases that may change status (undecided leavers).



Pension Fund Administration

There are 83 staff members (79.05 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 1:2,250 (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.

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.

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, 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 2022. The results of the valuation were a funding level of 125% and an average primary employer contribution rate of 18.4% (31 March 2019: 18.4%). The primary rate includes an allowance of 0.8% (31 March 2019: 0.6%) of the pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% (31 March 2019: 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 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 consultation took place in Summer 2022 on the proposals to extend the current underpin to younger members and remove the requirement to have an immediate entitlement to benefits on leaving to qualify for underpin protection.

Scheme Administration (continued).

The below table compares the 2008 and the 2014 schemes.

Schemes	LGPS 2008	LGPS 2014
Basis of Pension	Final Salary	Career Average Revaluated Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non contractual overtime and non pensionable additional hours	Pay including non-contractual overtime and additional hours
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Contribution Flexibility	No	Option to pay 50% contributions for 50% of pension benefit
Normal Pension Age	65	Equal to individuals state pension age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 – Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 – Temporary payment of pension for up to 3 years	Tier 1 – Immediate payment with service enhanced to Normal Pension Age Tier 2 – Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 – Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	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 2022-23, training undertaken in year, including; Training days, Conferences and Strategic Workshops.

Councillor/Member Name	Committee/Board	Meetings Attended	Training Undertaken (In person and virtual)
Cllr Whelan	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	9 sessions attended
Cllr Rae	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	10 sessions attended
Cllr Sharp	Pension Committee Investment Sub Committee	5 meetings out of 5 4 meetings out of 4	6 sessions attended
Cllr Costello	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended
Cllr Boden	Pension Committee Investment Sub Committee	2 meetings out of 5 1 meetings out of 4	2 sessions attended
Lee Phanco	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	4 sessions attended
John Walker	Pension Committee Investment Sub Committee	4 meetings out of 5 4 meetings out of 4	8 sessions attended and 1 external conference
Cllr Dew	Pension Committee	0 meeting out of 1 (appointed Feb 23)	1 session attended
Cllr Murphy	Pension Committee	2 meetings out of 4 (resigned Feb 23)	5 sessions attended
Cllr Prentice	Pension Committee	1 meeting out of 5	1 session attended
Cllr Coles	Pension Committee	5 meetings out of 5	5 sessions attended
Matthew Pink	Pension Committee	2 meetings out of 5	3 sessions attended
Cllr Slatter	Pension Fund Board	3 meetings out of 4	3 sessions attended
Cllr King	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Payne	Pension Fund Board	4 meetings out of 4	6 sessions attended and 1 external conference
Barry O'Sullivan	Pension Fund Board	4 meetings out of 4	4 sessions attended and 1 external conference
Val Limb	Pension Fund Board	3 meetings out of 4	3 sessions attended and 1 external conference
Martin Dachs	Pension Fund Board	2 meetings out of 4	3 sessions attended
Cllr Atkins (substitute)	Pension Committee	2 meetings out of 5	
Cllr Batchelor (substitute)	Pension Committee	1 meeting out of 5	
Liz Brennan (substitute)	Pension Committee	1 meeting out of 5	

Scheme Administration (continued)

Policies and Strategy Statements
Information about the Fund's policies and procedures can be found on the Fund's website:
[Cambridgeshire Pension Fund 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
- Anti-Fraud and Corruption Policy
- Cambridgeshire Pension Fund Training Strategy
- Cash Management Strategy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Data Improvement Policy and Plan
- 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
- The Fund also has a Cyber Strategy, however this is not published due to its sensitive nature

Statement/Policy Changes in 2022-23
The following strategies and policies have been reviewed and updated accordingly in 2022-23:
- Administering Authority Discretions
- Annual Business Plan and Medium-Term Strategy
- Anti-Fraud and Corruption Policy
- Cessations Policy
- Climate Action Plan
- Communications Plan
- Communications Strategy
- Conflicts of Interest Policy
- Data Improvement Policy
- Data Improvement Plan
- Funding Strategy Statement
- Investment Strategy Statement
- Overpayment of Pension Policy
- Reporting Breaches of the Law to the Pensions Regulator
- Risk Register
- Risk Strategy

Management and Financial Performance

The Team

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

- **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.
  Email: PenContributions@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 to participate efficiently in the Fund.
  Email: PenEmployers@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.
  Email: Pensions@westnorthants.gov.uk
- **Investments** – oversee the governance of Fund assets and support the Investment Sub-Committee.
  Email: PenInvestments@westnorthants.gov.uk
- **Operations** – maintain member records, calculate benefits and pensions payable.
  Email: Pensions@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
- **Systems** – ensure internal systems are operating efficiently and provide support to maintaining accurate member records.
  Email: PenSystems@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 , telephone 01604 366537, or write to: Pensions Service, West Northamptonshire Council, The Guildhall, St Giles Square, Northampton, NN1 1DE

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
Award of Pension Credit lower than estimated value.	Partially Upheld	N/A
Delays in paying AVC funds resulting in lower valuation of funds.	Upheld	N/A
Challenge in allowing a historic transfer of pension rights to an overseas scheme in 2015.	Not upheld	N/A
Delays in paying AVCs causing anxiety and stress.	Upheld	N/A
Refusal to pay 50% survivor's pension as was a post retirement marriage therefore benefits based on post 1978 service.	Not Upheld	In progress
Challenging Tier 3 ill health entitlement awarded.	(employer)	Not Upheld
Refusal of employer's decision not to award ill-health pension from Active status.	(employer)	Not Upheld

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.

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	2022-23 Budget £000	2022-23 Actual £000
Contributions	135,000	148,915
Transfers in from other funds	8,000	18,402
Total Income	**143,000**	**167,317**
Benefits payable	-121,000	-123,517
Payments to and for leavers	-10,000	-11,281
Total Benefits	**-131,000**	**-134,798**
Surplus of contributions over benefits	**12,000**	**32,519**
Management Expenses		
Administrative Costs	-2,674	-2,868
Investment Management Expenses (Invoiced)	-981	-822
Investment Management Expenses (Non-Invoiced)	0	-20,146
Oversight and Governance Costs	-900	-1,058
Total Management Expenses	**-4,555**	**-24,894**
Total Income less Expenses	**7,445**	**7,625**
Investment Income	30,000	52,598
Taxes on Income	0	0
Profit/(loss) on disposal and changes in market value of investments	169,000	-133,859
Net return on investments	**199,000**	**-81,261**
Net increase/(decrease) in assets during the year	**206,445**	**-73,636**

Management expenses per active member are shown below:

	2021-22	2022-23
Active Members	28,911	28,067
	£	£
Administrative Cost	90.00	102.18
Investment Management Expenses	765.45	747.07
Oversight and Governance Costs	31.16	37.70

Variance Analysis

- Contributions and benefits are in line with current membership numbers.
- Transfers in and payments out are demand led.
- Investment Management expenses budget is understated as this does not include a forecast for non-invoiced expenses which are pooled fees deducted from market value. This will be included in the 2023-24 budget.
- The 2022-23 budget 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.

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
Deaths – initial letter acknowledging death of member *KPI: 5 working days, Legal requirement: 2 months*	582	582	100
Deaths – letter notifying amount of dependant's pension *KPI: 5 working days, Legal requirement: 2 months*	359	354	99
Estimates – letter notifying estimate of retirement benefits to employee *KPI: 10 working days, Legal requirement: 2 months*	604	576	95
Retirements – process and pay pension benefits on time *KPI: 5 working days, Legal requirement: 2 months*	517	482	93
Deferment – calculate and notify deferred benefits *KPI: 15 working days, Legal requirement: N/A*	2,626	2,482	95
Transfers in – Letter detailing transfer in (actual) *KPI: 10 working days, Legal requirement: 2 months*	302	297	98
Transfers out – letter detailing transfer out (quote) *KPI: 10 working days, Legal requirement: 3 months*	591	585	99

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 2022-23 £000	Total Paid On Time £000	% Paid On Time	Total Paid Late £000	% Paid Late
Employer	115,791	115,510	99	281	1
Employee	33,124	33,045	99	79	1
Total	148,915	148,555	99	360	1

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. The necessary recoveries arising from identified overpayments are being pursued.

Annual Pensioner Payroll (£)[1]	102,401,348
Total write off amount (£)	68,759
Write off amount as % of payroll	0.07%

[1]*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 £
2018-19[2]	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
2022-23[3]	102,395	33,636	68,759

[2]*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.*

[3] *Overpayments in 2022-23 are high, as in addition to usual activity, the Fund undertook a Guaranteed Minimum Pe (GMP) rectification project. Overpayments identified as a result of incorrect or non-application of the GMP are automatically written off without authorisation, unless the member could have know that their pension was being paid incorrectly as a result of the non or misapplication of GMP.*

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 31st March 2023

Type Of Body	Number of Active Employers
Administering (AA)	**1**
Scheduled (S)*	**241**
Admitted (Ad)	**99**
Total	**341**

The table, left, shows employers in the fund as at the 31st March 2023, 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 2022-23, or contribution receipts recorded within the period.

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

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
(NHS) Cambridgeshire & Pboro CCG	12,729	56,317	69,046		Ad
Abbey College Academy	63,634	196,095	259,729		S
Abbotts Ripton School (CCC)	6,925	27,199	34,124		S*
ABM (Eynesbury Primary)	217	1,348	1,565	Y	Ad
ABM Catering (Brewster Avenue Infant School)	1,860	10,919	12,779		Ad
ABM Catering (Holywell)	230	917	1,147	Y	Ad
ABM Catering (Oakdale Primary School)	904	3,643	4,547		Ad
ABM Catering (St Augustine's)	1,079	4,628	5,707		Ad
ABM Catering Limited (Alderman Jacobs)	1,721	5,519	7,240		Ad
ABM Catering Limited (Heltwate Primary and Marshfields Primary School)	246	1,054	1,300		Ad
ABM Catering Limited (St John's CE Primary School (Huntingdon))	1,535	6,783	8,318		Ad
ABM Catering Limited (The Beeches Primary and Hampton Hargate Primary)	506	2,149	2,655		Ad
ABM Catering Ltd (Great Paxton Primary School, Newton Community Primary School, Offord Primary School and Samuel Pepys School)	419	1,590	2,009	Y	Ad
Active Learning Trust (HQ)	68,793	144,335	213,128		S
Advanced Cleaning (Bur&Neth)	459	1,848	2,307		Ad
Advanced Cleaning Services (Weatheralls)	388	1,597	1,985		Ad
Alconbury C of E Primary (CCC)	19,540	76,186	95,726		S*
Alderman Jacobs Academy	49,412	161,610	211,022		S
Alderman Payne Primary (CCC)	9,766	38,953	48,719		S*
All Saints Inter Church Academy	15,466	71,342	86,808		S
All Saints' Primary School (PCC)	31,259	128,768	160,027		S*
Alliance in Partnership Limited	392	1,512	1,904	Y	Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Aramark (Cambridge Regional College)	2,687	14,048	16,735		Ad
Arbury Primary School (CCC)	20,447	79,784	100,231		S*
Arthur Mellows VC Academy	101,790	316,834	418,624		S
Ashbeach Primary School (CCC)	14,138	56,732	70,870		S*
Aspens (All Saints Inter Church Academy)	111	715	826		Ad
Aspens (Brampton Village Primary School)	197	787	984	Y	Ad
Aspens (Diamond Learning Partnership Trust)	508	2,265	2,773		Ad
Aspens (Hemingford Grey)	387	1,441	1,828	Y	Ad
Aspens (Park Street)	1,233	4,904	6,137		Ad
Aspens (Sacred Heart)	39	246	285		Ad
Aspens (St Philip's CE Prim)	530	2,119	2,649		Ad
Aspens (The Harbour School)	898	3,828	4,726		Ad
Aspens Services (Fulbourn Pri)	140	542	682	Y	Ad
Aspens Services Ltd (Cottenham VC)	1,514	4,993	6,507		Ad
Babraham CE Primary Academy	3,639	15,727	19,366		S
Balfour Beatty	2,730	-	2,730		Ad
Balsham Parish Council	672	2,628	3,300		S
Bar Hill Community Primary School	18,086	68,050	86,136		S
Bar Hill Parish Council	1,430	5,381	6,811		S
Barnabas Oley CE Primary School	9,305	37,007	46,312		S*
Barnack CE Primary School (PCC)	10,978	45,469	56,447		S*
Barrington CE Primary (CCC)	11,043	44,043	55,086		S*
Barton CE (VA) Primary School	10,683	41,274	51,957		S*
Bassingbourn Primary (CCC)	25,167	98,645	123,812		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Bassingbourn V C Academy	22,795	74,484	97,279		S
Beaupre CP School (CCC)	14,539	55,773	70,312		S*
Bellbird School (CCC)	26,581	104,817	131,398		S*
Benwick Primary School (CCC)	10,638	41,919	52,557		S*
Bewick Bridge C P School (CCC)	21,308	82,063	103,371		S*
Bishop Creighton Academy	17,671	52,801	70,472		S
Bottisham Community Primary Academy	19,723	90,038	109,761		S
Bottisham VC Academy	130,991	368,122	499,113		S
Bourn Primary Sch-Academy	10,949	36,509	47,458		S
Brampton Village School (CCC)	35,247	138,237	173,484		S*
Braybrook Primary School Academy	17,139	67,140	84,279		S
Bretton Parish Council	3,548	11,735	15,283		S
Brewster Avenue School (PCC)	17,311	73,296	90,607		S*
Brington CE Primary School (CCC)	9,736	37,761	47,497		S*
Brunswick Nursery School (CCC)	13,402	50,928	64,330		S*
Buckden CE Primary Sch-Academy	34,117	112,372	146,489		S
Burnt Fen I D B	3,466	11,463	14,929		S
Burrough Green Primary (CCC)	7,196	28,688	35,884		S*
Burrowmoor Primary Academy	28,815	100,506	129,321		S
Burwell Parish Council	1,963	6,496	8,459		S
Burwell VC Primary (CCC)	20,890	83,327	104,217		S*
Bury CE Primary School	6,946	29,020	35,966		S
Bushmead Primary School (CCC)	30,811	118,961	149,772		S*
Busy Bee Cleaning Services Ltd (St Bede's Inter-Church School)	121	570	691	Y	Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Caldecote Primary School (CCC)	12,559	48,461	61,020		S*
Cambourne Parish Council	25,458	81,717	107,175		S
Cambourne Village College Academy	94,196	288,890	383,086		S
Cambridge & Peterborough NHS Foundation Trust	13,968	65,941	79,909		Ad
Cambridge BID Ltd	245	626	871		Ad
Cambridge City Council	1,850,945	4,683,089	6,534,034		S
Cambridge Meridian Academy Trust (HQ staff)	190,322	461,167	651,489		S
Cambridge Regional College	511,024	1,925,194	2,436,218		S
Cambridgeshire and Peterborough Combined Authority	367,067	822,499	1,189,566		S
Cambridgeshire Community Service NHS Trust	-	2,951,000	2,951,000	Y	Ad
Cambridgeshire County Council	7,671,284	24,027,492	31,698,776		AA
Cambs & P'boro Fire Authority	421,891	1,548,196	1,970,087		S
Cambs Chief Constable	1,939,209	6,619,760	8,558,969		S
Cambs Police & Crime Commissioner	55,211	163,923	219,134		S
Care Quality Commisson	7,729	-	7,729		Ad
Castle Camps Primary (CCC)	8,444	33,279	41,723		S*
Castle School (CCC)	100,131	380,287	480,418		S*
Castor CE Primary School (PCC)	12,323	51,525	63,848		S*
Caterlink (Active L T)	11,247	44,730	55,977		Ad
Caterlink (Anglian Learning)	437	1,734	2,171	Y	Ad
CaterLink (Diamond Learning Partnership Trust)	1,651	6,858	8,509	Y	Ad
Caterlink (Priory Park Infant School)	229	915	1,144		Ad
Caterlink (The Diamond L P)	1,001	6,170	7,171	Y	Ad
Caterlink UK Ltd (The Vine Inter-Church School)	1,028	3,998	5,026	Y	Ad

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Cavalry Primary School	46,285	164,426	210,711		S
Caverstede Nursey School	23,987	98,563	122,550		S*
Chatteris Town Council	3,455	11,923	15,378		S
Cherry Hinton Primary (CCC)	19,920	77,145	97,065		S*
Chesterton Community College	69,198	222,596	291,794		S
Chesterton Primary Academy	12,952	43,061	56,013		S
Cheveley Primary School (CCC)	6,186	24,671	30,857		S*
Chorus Homes Group Limited	29,238	502,276	531,514		Ad
Churchill Contract Services	4	21	25	Y	Ad
City College Peterborough	204,850	726,528	931,378		S
City of Ely Council	28,818	96,789	125,607		S
City of Peterborough Academy	53,373	148,339	201,712		S
Clarion Housing Association Limited	19,413	618,854	638,267		Ad
Clarkson Infants School (CCC)	18,216	69,047	87,263		S*
CleanTec (Godmanchester)	1,087	3,950	5,037		Ad
Coates Primary School (CCC)	16,774	65,834	82,608		S*
Collections Trust	2,463	24,548	27,011		Ad
Colleges Nursery School (CCC)	16,296	63,093	79,389		S*
Colville Primary School (CCC)	22,365	86,175	108,540		S*
Comberton Academy Trust (HQ)	44,773	115,431	160,204		S
Comberton VC Academy	172,932	554,511	727,443		S
Compass (Anglian Learning Trust: Bassingbourne VC, Sawston VC and Netherhall)	649	1,927	2,576	Y	Ad
Compass (Hinchingbrook)	1,666	6,451	8,117		Ad
Compass Contract Services (Netherhall)	1,638	6,610	8,248	Y	Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Compass Contract Services (Staploe ET)	3,640	12,560	16,200		Ad
Conservators of the River Cam	-	107,000	107,000	Y	Ad
Coombs Catering-Leighton Prim	1,233	5,292	6,525		Ad
Coton C of E Primary School (CCC)	9,298	36,952	46,250		S*
Cottenham Primary School (CCC)	37,070	143,751	180,821		S*
Cottenham VC Academy	53,982	165,718	219,700		S
CRCC - Cambridge Rape Crisis Centre	2,321	7,854	10,175		Ad
Cromwell Academy	14,339	52,340	66,679		S
Cromwell Comm College (Academy)	91,760	387,527	479,287		S
Cross Keys Homes Ltd	21,520	127,054	148,574		Ad
Crosshall Infants Academy	39,642	132,276	171,918		S
Crosshall Juniors Academy	39,476	131,496	170,972		S
Cucina Ltd	1,258	4,209	5,467		Ad
Diocese of Ely Multi Academy Trust (DEMAT) HQ Staff	34,222	104,634	138,856		S
Discovery Primary Academy	38,693	142,252	180,945		S
Ditton Lodge Primary School	15,669	58,820	74,489		S
Dogsthorpe Academy	26,061	127,937	153,998		S
Dogsthorpe Infant School	19,949	79,445	99,394		S
Downham Feoffees Primary Academy	6,270	24,236	30,506		S
Dry Drayton Primary (CCC)	5,841	23,247	29,088		S*
Duke of Bedford School (PCC)	21,520	91,312	112,832		S*
Duxford Primary School (CCC)	15,581	61,116	76,697		S*
Earith Primary Academy	8,421	35,625	44,046		S
East Cambs District Council	401,154	1,495,857	1,897,011		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
East of England Local Government Association (EEDA/EERA)	88,314	276,529	364,843		Ad
Eastfield Inf and Nursery (CCC)	17,373	67,776	85,149		S*
Easy Clean (TDET)	1,837	10,412	12,249		Ad
Easy Clean (The Phoenix School - Phase 2 Secondary)	50	211	261	Y	Ad
Easy Clean (Upwood Primary School)	382	1,700	2,082		Ad
Easy Clean (WilliamDeYaxley)	152	615	767	Y	Ad
Easy Clean Contractors (Milton Primary School)	100	414	514	Y	Ad
Ecovert FM Ltd	1,644	-	1,644		Ad
Edwards & Blake Ltd (Coates Primary School)	404	1,616	2,020		Ad
Edwards and Blake (Godmanchester Community Education Trust)	459	1,670	2,129		Ad
Edwards and Blake (Stukeley Meadows)	620	2,482	3,102		Ad
Edwards and Blake Ltd (Bassingbourn Primary)	1,118	4,187	5,305		Ad
Elm Cof E Primary Academy	17,398	61,829	79,227		S
Elm Road Primary School	14,772	57,939	72,711		S
Elsworth CE (A) Primary School (CCC)	7,169	28,410	35,579		S*
Elton Church School (CCC)	10,000	39,790	49,790		S*
Ely (City of) College - Academy	61,423	199,685	261,108		S
Ely St John Primary (CCC)	27,042	107,500	134,542		S*
Ermine Street Church Academy	12,617	46,948	59,565		S
Ernulf Academy	44,332	136,723	181,055		S
Everyone Health Limited	2,572	9,178	11,750		Ad
Excellerate (Witchford VC)	8,395	27,391	35,786	Y	Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Excellerate Services UK Ltd (Huntingdon Youth Centre)	1,158	3,685	4,843		Ad
Eye C of E Primary School (PCC)	50,297	203,285	253,582		S*
Eye Parish Council	571	2,115	2,686		S
Eynesbury CE School (CCC)	14,421	57,069	71,490		S*
Eyrescroft Primary School	32,870	137,433	170,303		S
Family Psychology Mutual	11,855	28,294	40,149		Ad
Farcet CE Primary Academy	6,873	29,747	36,620		S
Farcet Parish Council	790	2,810	3,600		S
Fawcett Primary School	36,223	137,998	174,221		S*
Fen Ditton Primary Academy	10,543	40,006	50,549		S
Fen Drayton Primary (CCC)	7,481	29,586	37,067		S*
Fenland District Council	616,406	1,591,018	2,207,424		S
Fenstanton Primary School (CCC)	17,812	68,401	86,213		S*
Fields Early Years Centre (CCC)	15,862	60,831	76,693		S*
Folksworth CE Primary (CCC)	5,191	20,561	25,752		S*
Fordham Primary School (CCC)	20,803	82,681	103,484		S*
Fourfields Primary School (CCC)	37,910	144,281	182,191		S*
Fowlmere Primary School (CCC)	4,856	19,123	23,979		S*
Foxton Primary School (CCC)	6,797	26,691	33,488		S*
Freedom Leisure (Fenland DC)	36,317	114,676	150,993		Ad
Friday Bridge Primary (CCC)	8,599	34,397	42,996		S*
Friends Therapeutic Community	42,992	345,046	388,038		Ad
Fulbourn Primary School (CCC)	22,133	84,262	106,395		S*
Fulbridge Academy	100,116	318,640	418,756		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Fusion	1,138	3,717	4,855		Ad
Gamlingay First School Academy	33,759	146,507	180,266		S
Gamlingay Parish Council	4,766	16,615	21,381		S
Girton Glebe Primary School	11,807	46,291	58,098		S
Gladstone Primary Academy	42,217	152,650	194,867		S
Glebelands Primary Academy	30,495	122,310	152,805		S
GLL - Greenwich Leisure Ltd	5,770	29,901	35,671		Ad
Godmanchester Community & Bridge Academies	42,196	151,814	194,010		S
Gorefield Primary Academy	12,283	45,855	58,138		S
Goshen Multi Ser (CambsCity)	1,089	7,250	8,339		Ad
Goshen Multiservices Ltd	1,230	6,855	8,085		Ad
GPC Skills Ltd	4,691	12,624	17,315		Ad
Granta School (CCC)	81,362	294,646	376,008		S*
Great Abington Primary (CCC)	7,973	31,244	39,217		S*
Great and LT Shelford (CCC)	15,095	59,647	74,742		S*
Great Gidding CE Primary (CCC)	4,190	16,547	20,737		S*
Great Paxton C of E Primary (CCC)	8,712	33,155	41,867		S*
Great Staughton Academy	8,462	38,794	47,256		S
Great Wilbraham Primary (CCC)	6,801	25,817	32,618		S*
Greater Peterborough UTC	23,083	69,831	92,914		S
Guilden Morden Academy	10,345	37,787	48,132		S
Guyhirn C of E Primary Academy	7,066	30,314	37,380		S
Haddenham Level Drainage Commissioners	1,818	6,012	7,830		S
Haddenham Parish Council	1,961	6,486	8,447		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Hampton College Academy	127,312	382,268	509,580		S
Hampton Gardens Academy	50,573	153,368	203,941		S
Hampton Hargate Primary (PCC)	48,364	201,305	249,669		S*
Hampton Lakes Academy	15,978	56,391	72,369		S
Hampton Vale Primary Academy	48,044	163,382	211,426		S
Hardwick Primary (CCC)	39,440	153,112	192,552		S*
Harston and Newton P Sch (CCC)	13,280	52,365	65,645		S*
Hartford Infant School	17,087	61,373	78,460		S
Hartford Junior School	20,234	72,655	92,889		S
Haslingfield Primary (CCC)	9,832	38,634	48,466		S*
Hatton Park School	18,106	68,302	86,408		S
Hauxton Primary School (CCC)	9,031	35,806	44,837		S*
HCL (The Ashbeach Primary Sch)	739	3,146	3,885		Ad
Heltwate School (PCC)	88,328	358,679	447,007		S*
Hemingford Grey Primary School	22,031	85,607	107,638		S*
Heritage Park School (PCC)	16,787	69,673	86,460		S*
Hertfordshire Catering Limited (Barrington CofE VC Primary School)	1,152	4,367	5,519		Ad
Hertfordshire Catering Limited (Harston & Newton Community Primary School)	800	3,024	3,824		Ad
Hertfordshire Catering Limited (Hartford Infants, Hartford Junior and Gamlingay First School Academy)	692	2,745	3,437	Y	Ad
Hertfordshire Catering Limited (Hauxton Primary School)	764	2,899	3,663		Ad
Hertfordshire Catering Limited (Melbourn Primary School)	1,636	6,205	7,841		Ad
Hertfordshire Catering Limited (Petersfield CofE Aided Primary School)	380	1,443	1,823		Ad
Hertfordshire Catering Limited (Thongsley Fields Primary	163	13,016	13,179	Y	Ad
Highfield Ely Academy	80,884	297,294	378,178		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Highfield Littleport Academy	57,322	182,280	239,602		S
Highlees Primary School	28,676	130,831	159,507		S
Hills Road Sixth Form College	195,379	704,252	899,631		S
Hinchingbrooke School	135,427	407,331	542,758		S
Histon and Imp Brook Prim School	26,435	98,352	124,787		S
Histon and Imp Park Prim School	17,904	68,095	85,999		S
Histon and Impington Parish Council	5,566	18,951	24,517		S
Histon Early Years Centre (previously known as Histon Nursery School)	27,526	105,764	133,290		S*
Holme Church of England Primary Academy	8,514	35,864	44,378		S
Holywell CE(C)School (CCC)	11,742	46,505	58,247		S*
Homerton College	226,245	625,454	851,699		Ad
Homerton Early Years Centre (Nursey School) (CCC)	20,275	78,299	98,574		S*
Houghton Primary School (CCC)	18,225	70,792	89,017		S*
Huntingdon Nursey School (CCC)	24,093	90,254	114,347		S*
Huntingdon Primary School (CCC)	44,364	172,486	216,850		S*
Huntingdon Town Council	71,817	223,556	295,373		S
Huntingdonshire District Council	1,186,062	4,723,034	5,909,096		S
Impington Village College	162,083	447,165	609,248		S
Industrial Site Maintenance Ltd	2,444	13,233	15,677		Ad
Inspire Education Group	553,463	1,967,550	2,521,013		S
Isle of Ely Academy	26,107	84,465	110,572		S
Isleham Primary School (CCC)	13,672	52,851	66,523		S*
Jeavons Wood Primary Academy	35,436	118,773	154,209		S
Kelsey Kerridge S H	13,151	95,076	108,227		Ad
Ken Stimpson Community School (PCC)	77,039	303,180	380,219		S*
Kennett Community School (Academy)	7,325	28,043	35,368		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Kettlefields Primary (CCC)	6,781	26,364	33,145		S*
Kimbolton Primary Academy	7,927	26,765	34,692		S
Kimbolton School (Independent School)	29,911	176,594	206,505		Ad
Kinderley Primary School (CCC)	8,291	32,724	41,015		S*
Kings Hedges Primary (CCC)	45,578	168,678	214,256		S*
Kingsfield Primary School Academy	28,840	95,880	124,720		S
Lantern CP School Academy	27,722	101,641	129,363		S
Leighton Primary School	41,575	166,111	207,686		S
Leverington Primary Academy	20,209	64,364	84,573		S
Lime Academy Abbotsmede	36,382	149,928	186,310		S
Lime Academy Orton	77,349	347,856	425,205		S
Lime Academy Parnwell	28,742	112,318	141,060		S
Lime Academy Watergall	34,636	124,855	159,491		S
Linton Heights Junior Academy	15,388	52,562	67,950		S
Linton Infants School (CCC)	18,286	71,988	90,274		S*
Linton Parish Council	3,058	11,463	14,521		S
Linton VC Academy	47,192	152,666	199,858		S
Lionel Walden School (CCC)	24,416	95,031	119,447		S*
Little Downham Parish Council	1,736	5,908	7,644		S
Little Paxton Parish Council	4,025	13,420	17,445		S
Little Paxton School (CCC)	26,876	104,868	131,744		S*
Little Thetford Primary (CCC)	9,553	37,086	46,639		S*
Littleport & East Cambridgeshire Academy	36,448	113,974	150,422		S
Littleport and Downham I D B	8,329	27,551	35,880		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Littleport CP School (CCC)	41,359	161,134	202,493		S*
Long Road Sixth Form College	115,095	386,195	501,290		S
Longsands Academy	75,981	236,120	312,101		S
Lunchtime Company (CPET)	2,634	12,447	15,081		Ad
Lunchtime Company (Ely St Johns)	2,777	26,578	29,355		Ad
Lunchtime Company (Fordham)	2,660	18,619	21,279		Ad
Lunchtime Company (Great Wilbraham)	1,297	9,079	10,376		Ad
Lunchtime Company (Isleham Pri)	961	6,728	7,689	Y	Ad
Lunchtime Company (Teversham)	200	1,402	1,602	Y	Ad
Lunchtime Company Ltd (Grove Primary)	551	2,204	2,755		Ad
Malco Services(Newton/Homerton)	267	1,069	1,336	Y	Ad
Manea Primary School (CCC)	26,252	102,237	128,489		S*
Manor Drive Prim Academy	4,214	18,316	22,530		S
Manor Drive Sec Academy	8,235	35,990	44,225		S
Marleigh Primary Academy	4,913	19,038	23,951		S
Martin Bacon Academy	29,581	98,213	127,794		S
Mayfield Primary School (CCC)	31,566	122,800	154,366		S*
Meadow Primary School	12,168	40,805	52,973		S
Meadowgate Academy	76,983	298,721	375,704		S
Mears Ltd	45,970	-	45,970		Ad
Mears Ltd (SCDC)	9,192	-	9,192		Ad
Medeshamsted Academy	33,554	99,458	133,012		S
Melbourn Primary School (CCC)	31,536	121,950	153,486		S*
Melbourn VC Academy	53,578	176,462	230,040		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Meldreth Primary School (CCC)	20,839	82,317	103,156		S*
Mepal & Wicham CofE Primary Academy	8,607	30,017	38,624		S
Meridian School (CCC)	12,806	51,064	63,870		S*
Middle Fen and Mere I D B	24,791	109,044	133,835		S
Middle Level Commissioners	63,620	184,829	248,449		S
Middlefield CP School Academy	13,741	47,116	60,857		S
Milestone Infrastructure Ltd (M Group Services)	14,004	37,538	51,542		Ad
Millfield Primary School	30,018	115,932	145,950		S
Milton Primary Academy	14,965	60,759	75,724		S
Milton Road Primary Sch (CCC)	25,433	97,340	122,773		S*
Miquill (Bewick Bridge CP Sch)	120	481	601	Y	Ad
Mitie PFI Limited	1,078	- 979	99		Ad
Monkfield Park School (CCC)	23,835	82,124	105,959		S*
Morley Memorial School (CCC)	32,507	123,756	156,263		S*
Mountain Healthcare Ltd	641	2,427	3,068		Ad
Multi-Active Holiday Courses LTD	249	864	1,113	Y	Ad
Murrow Primary School Academy	12,884	40,176	53,060		S
Neale Wade Academy	96,948	398,204	495,152		S
Nene Gate School	3,968	15,750	19,718		S
Nene Park Academy	55,124	169,296	224,420		S
New Road Primary & Nursery School	22,776	81,979	104,755		S
Newark Hill Primary Academy	23,195	108,405	131,600		S
Newborough & Borough Fen Parish Council	989	3,865	4,854		S
Newborough Primary (PCC)	15,458	65,389	80,847		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Newnham Croft Primary (CCC)	15,996	62,415	78,411		S*
Nightingale Cleaning Limited - CMAT Schools	13,380	122,154	135,534		Ad
Nightingale Cleaning Limited - CPET Schools	723	2,892	3,615		Ad
North Cambridge Academy	33,255	102,214	135,469		S
North Level IDB	45,963	138,227	184,190		S
Northstowe Secondary College	25,855	98,761	124,616		S
Norwood Primary School (PCC)	17,385	70,286	87,671		S*
NPS Peterborough Ltd	2,143	-	2,143	Y	Ad
Oakington CofE Primary School Academy	5,708	35,378	41,086		S
Offord Primary School	7,387	30,274	37,661		S
Old Fletton Primary School (PCC)	36,448	150,846	187,294		S*
Olive AP Academy - Cambridge	10,901	39,209	50,110		S
Olive AP Academy - Nene Valley	11,432	25,527	36,959		S
Orchard Park Comm School (CCC)	14,076	54,177	68,253		S*
Orchards CoE Primary Academy	34,169	137,346	171,515		S
Ormiston Bushfield Academy	82,953	246,558	329,511		S
Ormiston Meadows Academy	24,768	109,904	134,672		S
Orton Waterville Parish Council	888	4,114	5,002		S
Over Primary School (CCC)	15,869	62,570	78,439		S*
OWN Trust	110,529	405,276	515,805		S
Oxford Archaeology	66,472	142,372	208,844		Ad
Pabulum (Morley Memorial Primary School)	1,343	5,122	6,465		Ad
Pabulum (St Bede's Inter-Church School)	1,490	6,832	8,322		Ad
Pabulum Ltd (Hardwick & Cambourne Community Primary School)	1,470	5,686	7,156		Ad

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Park Lane Primary & Nursey School	38,035	143,689	181,724		S
Park Street CE (A) Primary (CCC)	10,311	40,165	50,476		S*
Paston Ridings Primary (PCC)	43,675	180,336	224,011		S*
Pathfinder CofE Primary School	30,470	134,958	165,428		S
Pathfinder Legal Services Ltd (CCC)	157,312	490,608	647,920		S
Peakirk Cum Glinton Primary School (PCC)	19,998	84,591	104,589		S*
Peckover Primary School	39,941	163,489	203,430		S
Pendragon CP School (CCC)	27,375	108,261	135,636		S*
Peterborough City Council	2,899,387	9,394,294	12,293,681		S
Peterborough Investment Partnership LLP	743	1,305	2,048	Y	Ad
Peterborough Keys Academies Trust (comprising of Ravensthorpe Primary, Thorpe Primary, Jack Hunt, Longthorpe Primary, Middleton Primary)	282,118	1,029,049	1,311,167		S
Peterborough Ltd t/a Aragon Direct Services	153,975	428,094	582,069		Ad
Peterborough Regional College	-	1,791	1,791	Y	S
Petersfield Primary School (CCC)	7,139	28,327	35,466		S*
Priory Junior School (CCC)	17,946	71,542	89,488		S*
Priory Park Infants School (CCC)	27,138	107,540	134,678		S*
Queen Edith School (CCC)	35,190	135,899	171,089		S*
Queen Emma Primary School (CCC)	37,691	147,749	185,440		S*
Queen Katharine Academy (Previously known as The Voyager Academy)	91,963	315,076	407,039		S
Queens Drive Infant School	26,851	109,578	136,429		S*
Rackham CE School (CCC)	25,610	102,525	128,135		S*

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Radis (Ditchburn Place)	18,066	49,472	67,538		Ad
Radis Community Care	10,482	-	10,482		Ad
Ramnoth Junior School	27,196	95,270	122,466		S
Ramsey Junior School	15,483	63,332	78,815		S
Ramsey Spinning Infant School	13,495	59,618	73,113		S
Richard Barnes Academy	43,760	175,759	219,519		S
Ridgefield Junior (CCC)	21,459	85,214	106,673		S*
Riverside Meadows Academy	20,995	72,734	93,729		S
Robert Arkenstall Primary (CCC)	21,305	83,286	104,591		S*
Round House C. P. School	29,038	91,642	120,680		S
Sacred Heart Catholic Primary School	14,842	65,011	79,853		S
Samuel Pepys School (CCC)	54,512	209,704	264,216		S*
Sanctuary Group	35,109	682,889	717,998		Ad
Sawston Parish Council	8,303	28,666	36,969		S
Sawston VC Academy	79,026	236,405	315,431		S
Sawtry Infants School (CCC)	16,375	64,826	81,201		S*
Sawtry Junior Academy	11,025	46,258	57,283		S
Sawtry Parish Council	3,604	12,900	16,504		S
Sawtry Village Academy	39,125	130,362	169,487		S
Serco Limited (PCC)	161,613	88,785	250,398		Ad
ServiceMaster Ltd (Kingsfield Primary School)	1,088	3,671	4,759		Ad
Shade Primary School Academy	22,240	69,683	91,923		S
Shirley Community Primary School and Pre-School (CCC)	38,295	145,426	183,721		S*
Sir Harry Smith Community College	74,323	307,918	382,241		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Soham Town Council	5,812	21,182	26,994		S
Soham VC Academy	94,554	288,584	383,138		S
Soke Education Trust	109,068	454,191	563,259		S
Somersham Parish Council	2,439	10,204	12,643		S
Somersham Primary School	20,263	88,817	109,080		S
South Cambridgeshire District Council	1,437,842	5,231,551	6,669,393		S
Southfields Primary School (PCC) (Was Southfields Junior School)	53,689	219,766	273,455		S*
Spaldwick Primary School	9,187	37,662	46,849		S
Spinney Primary School (CCC)	13,822	54,584	68,406		S*
Spring Common Academy	88,021	350,962	438,983		S
Spring Meadow Infants (CCC)	25,826	124,033	149,859		S*
Spurgeons	-	- 109,000	- 109,000	Y	Ad
St Albans RC Primary (CCC)	14,340	57,109	71,449		S*
St Andrews CofE Academy (Soham, Ely)	31,694	136,011	167,705		S
St Anne's CE Primary (CCC)	17,505	68,490	85,995		S*
St Augustines CE Junior School (PCC)	18,072	74,587	92,659		S*
St Bedes Inter Church School Academy	44,475	215,621	260,096		S
St Botolphs CE Primary Academy	25,871	96,132	122,003		S
St Helen's Primary Shcool (CCC)	11,337	44,620	55,957		S*
St Ives Town Council	19,192	67,889	87,081		S
St Ivo School Academy	85,107	270,405	355,512		S
St John Fisher	64,730	253,433	318,163		S*
St John Henry Newman Catholic Primary School	2,161	8,235	10,396		S
St John's Academy (Stanground)	13,126	56,970	70,096		S

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
St John's CoE Primary Academy (Huntingdon)	29,763	125,609	155,372		S
St Laurence Catholic Primary School	15,054	56,393	71,447		S
St Luke's C of E Primary School Academy	6,029	37,720	43,749		S
St Mary's CofE Junior Ely	23,994	97,984	121,978		S
St Marys St Neots Academy	9,342	35,057	44,399		S
St Matthew's Primary Sch (CCC)	47,262	187,822	235,084		S*
St Michaels CE Prim Sch (PCC)	46,383	191,856	238,239		S*
St Neots Town Council	46,561	154,826	201,387		S
St Pauls CE Primary (CCC)	6,629	25,280	31,909		S*
St Peters CofE Academy (Wisbech)	22,261	94,301	116,562		S
St Peter's School HD Academy	101,137	314,079	415,216		S
St Philips C OF E Primary (CCC)	23,316	90,019	113,335		S*
St Thomas More Catholic Primary School	32,962	148,092	181,054		S
Stanground Academy	67,917	296,503	364,420		S
Stapleford Primary Academy	15,403	54,937	70,340		S
Steeple Morden C OF E (CCC)	12,088	48,352	60,440		S*
Stephen Perse Foundation	6,268	17,698	23,966		Ad
Stilton Church of England Primary School	11,403	48,574	59,977		S
Stretham Primary School (CCC)	13,167	52,506	65,673		S*
Stukeley Meadows School (CCC)	32,613	127,081	159,694		S*
Sutton CE Primary School (CCC)	17,649	69,120	86,769		S*
Sutton Parish Council	2,398	7,932	10,330		S
Swaffham Bulbeck CE Prim Academy	6,978	27,685	34,663		S
Swaffham Internal Drainage Board	2,212	7,315	9,527		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Swaffham Prior CE Prim Academy	11,335	24,814	36,149		S
Swavesey Parish Council	1,531	5,676	7,207		S
Swavesey Primary School (CCC)	31,006	117,712	148,718		S*
Swavesey VC Academy	71,615	223,367	294,982		S
Taylor Shaw (CMAT)	9,819	61,943	71,762		Ad
Taylor Shaw (Elliott Foundation AT)	3,662	21,536	25,198	Y	Ad
Taylor Shaw Ltd (Abbey College Academy)	1,165	3,934	5,099		Ad
Teversham C of E Primary (CCC)	19,727	78,056	97,783		S*
The Beeches Primary School (PCC)	34,529	140,736	175,265		S*
The Cavendish School	24,099	102,093	126,192		S
The Centre School Academy	4,824	12,954	17,778		S
The Edmund Trust	8	300,049	300,057	Y	Ad
The Galfrid School	21,392	91,355	112,747		S
The Grove Primary School (CCC)	28,021	110,780	138,801		S*
The Harbour School	33,271	126,208	159,479		S
The Icknield Primary School	12,011	48,153	60,164		S
The King's (Cathedral) School	81,430	253,445	334,875		S
The Nene Infant & Nursery School	33,935	112,276	146,211		S
The Netherhall School	57,930	222,152	280,082		S
The Newton Community Primary School (CCC)	5,943	23,780	29,723		S*
The Weatheralls Primary School	32,044	135,636	167,680		S
Thomas Clarkson Academy	75,362	295,923	371,285		S
Thomas Deacon Academy	244,768	709,459	954,227		S
Thomas Eaton Primary Academy	14,848	64,836	79,684		S
Thongsley Fields Primary and Nursery School	23,834	90,601	114,435		S
Thorndown Community Primary (CCC)	46,885	184,404	231,289		S*
Thorney Parish Council	1,081	3,929	5,010		S
Thriplow CE Primary Academy	5,105	21,989	27,094		S
TNS Catering (Linton Cluster)	1,172	4,686	5,858		Ad
TNS Catering (WASP Cluster 2)	646	2,582	3,228	Y	Ad
Townley Primary School (CCC)	14,194	55,975	70,169		S*
Trumpington Meadows Primary School	18,513	71,057	89,570		S*
Trumpington Park Primary Academy	22,766	75,149	97,915		S
TSG Building Services Ltd	5,109	-	5,109		Ad
United Learning (previously CAP)	136,460	387,666	524,126		S
University of Cambridge Primary School	37,949	116,901	154,850		S
Upwood Primary Academy	11,621	50,792	62,413		S
Vero HR Ltd	454	1,648	2,102	Y	Ad
VHS Cleaning (Linton VC)	819	2,834	3,653		Ad
VHS Cleaning (Netherhall)	304	1,269	1,573		Ad
VHS Cleaning (Stapleford Community Primary School)	266	952	1,218		Ad
VHS Cleaning Services (Bassingbourn VC and Sawston VC)	644	2,205	2,849		Ad
Vine Inter Church School (CCC)	34,538	131,086	165,624		S*
VISIT Cambridge and Beyond	-	16,972	16,972	Y	Ad
Vivacity Culture and Leisure	-	19,236	19,236	Y	Ad
Warboys Primary Academy	25,658	119,504	145,162		S
Waterbeach CP School (CCC)	30,367	117,898	148,265		S*
Waterbeach Level Internal Drainage Board	2,338	7,735	10,073		S

Management and Financial Performance (continued)

Employer	Employee Contributions £	Employer Contributions £	Grand Total £	Ceased	Body
Waterbeach Parish Council	1,865	6,167	8,032		S
Welbourne Primary Academy	26,406	114,850	141,256		S
Welland Primary School	35,684	126,142	161,826		S
West Town Primary Academy	20,689	84,990	105,679		S
Westfield Junior School (CCC)	24,121	95,756	119,877		S*
Westwood Primary School	75,862	260,316	336,178		S
Wheatfields Primary School (CCC)	28,212	109,554	137,766		S*
Whittlesey Internal Drainage Board	2,221	7,347	9,568		S
Whittlesey Town Council	1,797	5,942	7,739		S
Wilburton CE Primary (CCC)	12,316	47,779	60,095		S*
William De Yaxley CofE Academy	10,261	40,874	51,135		S
William Law CE Primary School	47,343	187,824	235,167		S
William Westley CE (CCC)	13,655	53,397	67,052		S*
Willingham Primary School (CCC)	28,863	111,023	139,886		S*
Wimblington Parish Council	788	3,079	3,867		S
Winhills Primary School Academy	47,825	149,688	197,513		S
Wintringham Primary Academy	9,418	35,282	44,700		S
Wisbech and Fenland Museum	2,228	15,556	17,784		Ad
Wisbech Grammar School	-	55,225	55,225	Y	Ad
Wisbech St Marys CE Primary Academy	17,810	70,187	87,997		S
Wisbech Town Council	5,865	20,619	26,484		S
Witcham Parish Council	375	1,464	1,839		S
Witchford Village College	49,771	152,394	202,165		S
Wyton Primary School (CCC)	19,119	73,171	92,290		S*
Yaxley Infants School (CCC)	16,589	66,096	82,685		S*
Yaxley Parish Council	8,920	30,346	39,266		S
YTKO Limited	2,867	7,715	10,582		Ad
Grand Total	**33,124,469**	**115,790,530**	**148,914,999**		

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") with plans to subscribe to the Stewardship code during 2023-24.

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 31st March 2023, the ACCESS Pool has significant scale with assets of £59bn (of which 59% has been pooled) serving 3,459 employers with 1.192 million members including 339,058 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 2023, the Cambridgeshire Fund had invested £1,687.8m in sub-funds of the ACCESS Authorised Contractual Scheme and £884.7m in the UBS passive arrangement resulting in £2,572.5m of assets under pool management representing 61.0% of the Fund's assets.

During 2023-24 the Fund expects further investment in fixed income sub-funds of the ACS when they become available. The focus for ACCESS in 2023-24 is to continue work performed in 2022-23 to develop a pooled solution for Alternative asset classes.

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	2022-23 £000	2015-16 to 2022-23 Cumulative £000
Strategic & Technical	30.4	192.0
Legal	19.9	131.9
Project Management	0	81.1
ACCESS Support Unit	50.7	211.2
Other	5.9	35.3
Total Operational Costs	**106.9**	**651.5**

Cost Savings

The fee savings for the 2022-23 financial year resulting from the asset pooling agenda exceed £3.59m.

Cost Transparency

The analysis below shows the investment expenses incurred during financial year 2022-23 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 £000	Indirect £000	Total £000	Direct £000	Indirect £000	Total £000	£000
Investment Management Fee	7,880	20	**7,860**	7,081	3,206	**10,287**	**18,147**
Performance Fee	0	0	**0**	3,527	66	**3,593**	**3,593**
Transaction Taxes	0	0	**0**	7	-2	**5**	**5**
Broker commissions	0	528	**528**	77	-18	**59**	**587**
Other explicit costs	0	400	**400**	156	1	**157**	**557**
Implicit/indirect transaction costs	0	995	**995**	295	1,405	**1,700**	**2,695**
Administration	183	0	**183**	932	1,745	**2,677**	**2,860**
Governance and Compliance	16	0	**16**	385	326	**711**	**727**
Other	102	105	**207**	327	2,359	**2,686**	**2,893**
Total	**8,181**	**2,008**	**10,189**	**12,787**	**9,088**	**21,875**	**32,064**

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 Pension Fund Committee performed a review of the Strategic Asset Allocation at the March 2023 meeting in conjunction with the Fund's Investment Consultants, Mercer Ltd and the 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:

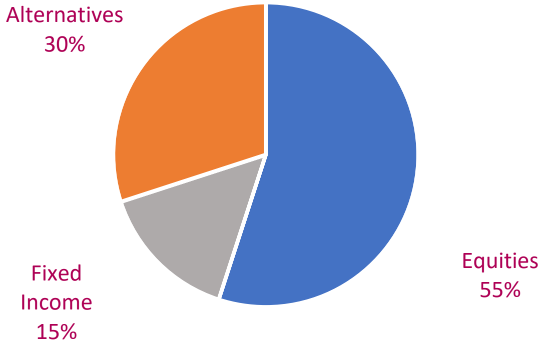
- To reach full funding and be in a position to pay benefits as they fall due; and
- To ensure contributions remain affordable to employers

The recommended changes to the strategy aims to manage the risk that asset returns are below those assumed by the actuary, whereby the funding position worsens. The following changes to the strategy were approved by Pension Fund Committee in March 2023:

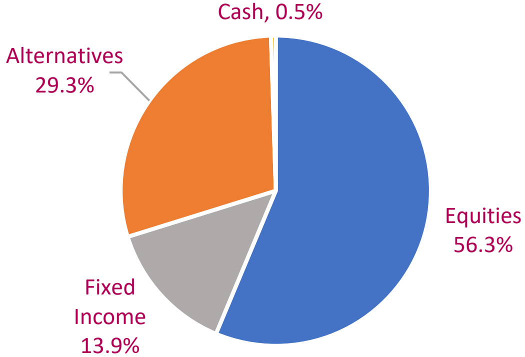
- Reduce the equity allocation by 12.5%, maintaining the passive equity allocation at 20% and reduce active managers;
- Increase fixed income and alternative allocations by 10% and 2.5% respectively to provide greater exposure to inflation linked, cash flow generative assets while protecting the strong funding position; and
- Consider sustainable and impact opportunities across an expanded private markets portfolio – aligned with "levelling up" guidance.

The charts below show the Strategic Asset Allocation at the end of the financial year, the strategic asset allocation following Pension Fund Committee approval and the actual allocation of assets at 31 March 2023.

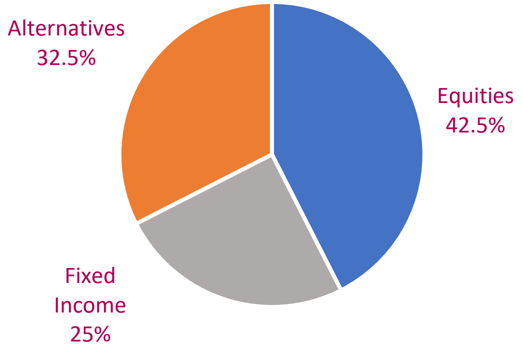
Strategic Allocation at 31 March 2023



Asset Allocation at 31 March 2023



Approved Strategic Asset Allocation



Investment Policy and Performance (continued)

The value of the investments held by each of the Fund's Investment Managers on 31 March 2022 and 31 March 2023 is shown in the following table.

Value of investments at the balance sheet date

Manager	31 March 2022		31 March 2023	
	£m	% of Total	£m	% of Total
UBS Passive UK Equity	91.3	2.0	81.5	1.9
Link Fund Solutions – ACCESS Global Equity (JO Hambro)	539.4	12.6	471.0	11.1
Link Fund Solutions - ACCESS Global Stock (Dodge and Cox)	562.5	13.1	575.4	13.7
Link Fund Solutions – ACCESS Global Equity (Longview)	414.8	9.7	438.6	10.4
Schroders	8.8	0.2	2.4	0.1
UBS Passive Global Equity	868.4	20.3	803.2	19.1
BlueBay Asset Management	197.8	4.6	186.2	4.4
Link Fund Solutions – M&G Alpha Opportunities	193.0	4.5	202.8	4.8
Schroders	210.8	4.9	197.3	4.7
Schroders Property	300.8	7.0	270.2	6.4
Adams Street	178.5	4.2	200.5	4.8
Allianz	19.2	0.4	14.1	0.3
Ares debt	41.7	1.0	43.1	1.0
Cambridge and Counties Bank	85.0	2.0	69.7	1.7
Cambridge Building Society	15.0	0.3	15.0	0.4
Foresight	28.4	0.7	31.1	0.7
Equitix	20.6	0.5	43.1	1.0
HarbourVest	159.3	3.7	191.9	4.6
IFM Infrastructure	76.1	1.8	88.1	2.1
JP Morgan	59.6	1.4	75.4	1.8
M&G	138.5	3.2	140.1	3.3
Partners Group	50.0	1.2	41.1	1.0
UBS Infrastructure	8.9	0.2	9.1	0.2
Cash	19.3	0.5	20.4	0.5
TOTAL	4,287.7	100.0	4,211.30	100.0

Investment Policy and Performance (continued)

Total Fund Performance

The total investment return for the Fund over the financial year was -2.8% net of fees compared with a weighted benchmark return of -2.5%. In the previous year the total investment return was 9.9% compared with a weighted benchmark of 11%. The Fund's total investment return was 11.1% p.a over the three years to 31 March 2023, 6.8% p.a over the five years to 31 March 2023, and 7.7% p.a over the ten years to 31 March 2023.

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	-0.9	-1.1	0.2	15.7	15.5	0.2	n/a	n/a	n/a
J O Hambro	-12.7	-1.4	-11.3	11.6	15.5	-3.9	n/a	n/a	n/a
Dodge & Cox	2.4	1.4	1.0	22.1	16.2	5.9	n/a	n/a	n/a
Longview	5.8	-1.4	7.2	18.1	15.5	2.6	n/a	n/a	n/a
Schroders	-28.6	-28.6	0.0	-9.8	-9.8	0.0	n/a	n/a	n/a
BlueBay Asset Management	-5.9	-1.7	-4.2	n/a	n/a	n/a	n/a	n/a	n/a
M&G Alpha Opportunities	1.9	-1.7	3.6	n/a	n/a	n/a	n/a	n/a	n/a
Adams Street	-3.0	8.9	-11.9	26.9	8.9	18.0	20.6	12.8	7.8
Allianz	-28.0	4.0	-32	-9.4	4.0	-13.4	n/a	n/a	n/a
Ares debt	14.4	10.0	4.4	7.7	10.0	-2.3	n/a	n/a	n/a
Equitix	2.7	10.0	-7.3	-0.3	10.0	-10.3	11.6	10.0	1.6
HarbourVest	27.6	8.9	18.7	35.5	8.9	26.6	19.9	12.8	7.1
Foresight	42.3	8.9	33.4	n/a	n/a	n/a	n/a	n/a	n/a
IFM Infrastructure	19.7	10.0	9.7	12.0	10.0	2.0	n/a	n/a	n/a
JP Morgan	17.1	10.0	7.1	n/a	n/a	n/a	n/a	n/a	n/a
M&G Residential Property	0.9	6.0	-5.1	1.8	6.0	-4.2	n/a	n/a	n/a
M&G Secured Loans	2.5	6.4	-3.9	6.7	5.0	1.7	3.7	4.8	-1.1
M&G Shared Ownership	1.6	6.0	-4.4	n/a	n/a	n/a	n/a	n/a	n/a
Partners Group	22.4	10.0	12.4	15.8	10.0	5.8	12.3	10.0	2.3
UBS Infrastructure	12.5	10.0	2.5	-8.0	10.0	-18.0	0.8	10.0	-9.2
Schroders Property	-10.7	-14.5	3.8	3.0	2.6	0.4	6.1	6.4	-0.3

n/a = Not invested for the full period therefore no meaningful performance measure is available

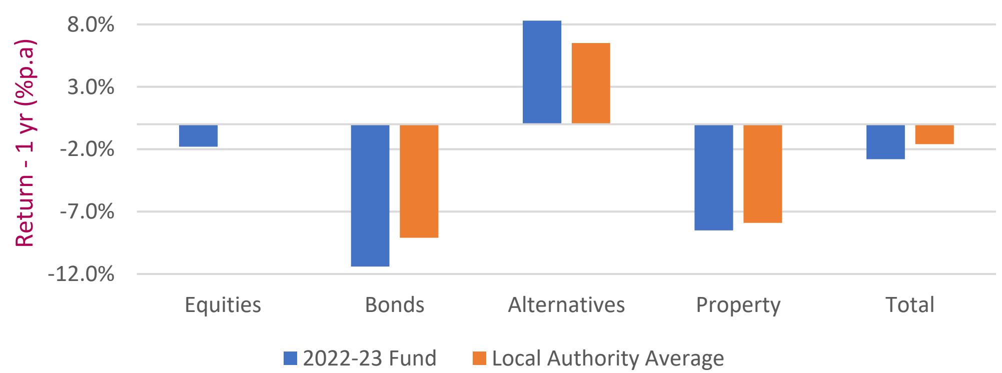
Investment Policy and Performance (continued)

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.

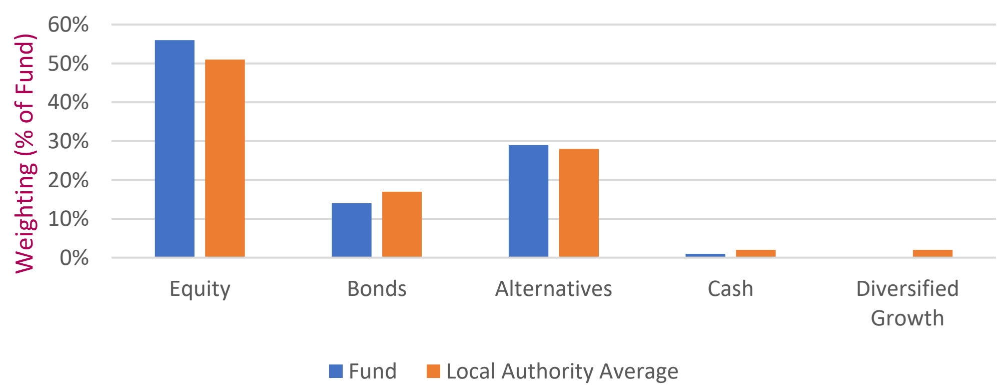
In 2022-23 the Fund's performance of -2.8% net of fees over the financial year was ranked 43rd percentile out of the 63 Funds participating in the Universe.

Investment Return compared to Local Authority Universe



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 Allocation compared to Local Authority Universe



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, in line with UK Government's targets.**

The Fund is working towards producing a climate change reports in future which comply with Task Force on Climate-Related Financial Disclosures ("TCFD") reporting recommendations, which are 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 ("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 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 developing and meeting the Fund's climate action plan, climate-change scenario analysis, reporting of metrics and monitoring of progress against agreed targets.

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 climate action plan and / or when the Fund's annual climate change 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

The Fund undertook climate scenario analysis on its investment strategy in 2021. 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.

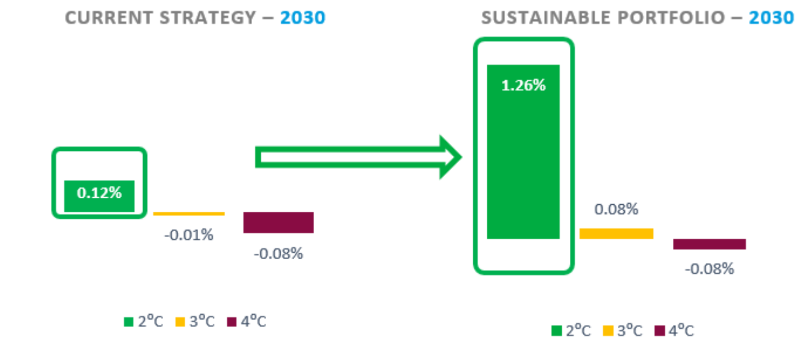
Resilience of the Fund's investment strategy

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).



Climate change impact on return (% p.a.)

As at 30 June 2021. Source: Mercer/Investment Managers

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	The Fund recognises the systemic risk associated with climate change and the views and aspirations of other scheme employers and scheme members. 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." 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.
Strategy	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). Climate scenario analysis for the investments of the Fund will be reviewed periodically.
Reporting	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. The ISC receives a biannual stewardship monitoring report which summarises how the investment managers choose to vote and engage on climate-related issues (among other key engagement priorities).
Manager selection and retention	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.

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

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^{0}C' objective - i.e. net zero by 2050, with an aspiration of achieving a net zero position by 2045.

Targets were set on an absolute emissions basis in 2021, but also monitored on an intensity basis (using two intensity metrics: carbon footprint and weighted average carbon intensity (WACI)). However, the Fund has switched to a carbon footprint metric as the base line measure for a de-carbonisation pathway as it:

a) It is not impacted by changes in strategy, unlike absolute emissions. For example, the Fund's strategic target equity allocation was reduced as part of the investment strategy review undertaken during the Fund year which, all else equal, would lead to a reduction in the level of absolute emissions.

b) If the Fund widens the scope of its climate reporting in future to include additional asset classes, as it intends to do, this would naturally increase absolute emissions. Carbon footprint is not impacted in the same way.

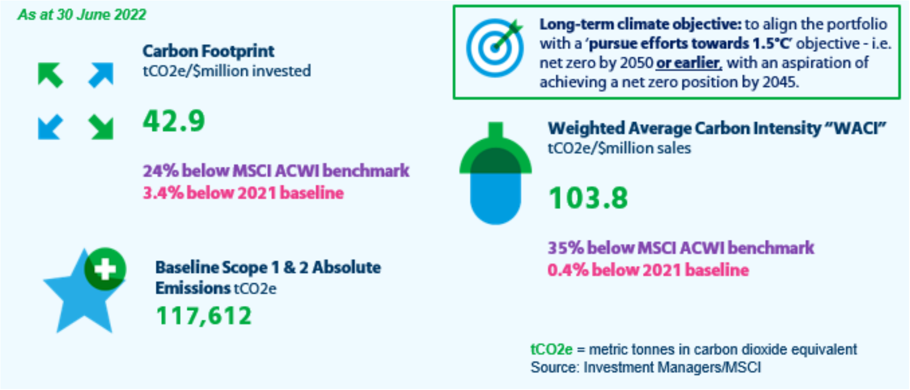
The carbon footprint metric instead normalises absolute emissions by the amount of assets invested. The Fund will continue to track both absolute emissions and WACI too as each metric provides a slightly different insight as to the nature of the companies held within portfolios.

Carbon reporting dashboard

The Fund's metrics were initially measured as at 30 June 2021, providing a baseline for future targets, and were recalculated as at 30 June 2022 in order to monitor progress against these targets. The metrics are set out in a publicly available carbon reporting dashboard:

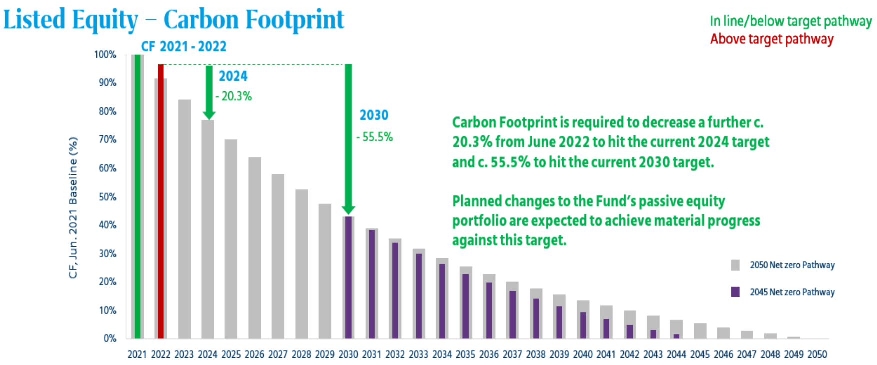
The 2021 and 2022 metrics are based on Scope 1 and 2 emissions data for the listed equity portfolio.

The dashboard will be updated on an annual basis.



Progress against targets

The chart below demonstrates the Fund's progress (Green and Red bars) against the pre-defined pathway (Grey bars) required in order to achieve the Net Zero objective by 2050. The purple bars demonstrate the pathway to achieve Net Zero by 2045 for information.



While the listed equity portfolio's Carbon Footprint in 2022 was above the pre-defined pathway, changes to the Fund's passive equity portfolio were implemented in early 2023 with the objective of improving the portfolio's climate characteristics. This will be captured in the Fund's updated metrics at 30 June 2023 and will demonstrate meaningful progress against the targets set.

Independent Adviser's annual review – Twelve months to 31st March 2023

Sam Gervaise-Jones, CFA

May 2023

It has been quite a year! A new-born delivered into the world as I wrote last year's review would have seen in its first year three British Prime Ministers, war in Europe, escalating tensions in Asia, a former US president being indicted, meltdown in the UK Gilt markets and rampant inflation in developed markets. Interesting times indeed.

I wrote about the need to maintain resilience in the portfolio, to weather inflation, ongoing Covid and Brexit challenges, and do so while meeting commitments made to address environmental and social concerns.

Good progress has been made on implementing the Fund's Responsible Investment and net-zero policy. Unfortunately, progress has been less pronounced on private markets propositions from the ACCESS Pool but we take comfort in the 2022 valuation showing a very healthy funding position, benefiting from the knock on effect of rising interest rates reducing our liabilities, while keeping asset values broadly flat.

Here I take the opportunity to provide an investment review covering the financial year 2023/23, in addition to providing some thoughts for the future.

Market Activity

Equities

Inflation was the prevailing theme in Q2 2022 as rising prices, fuelled by increasing energy costs and supply chain disruptions, dented consumer confidence. Although economic data from the corporate sector, as measured by the Purchasing Managers' Indices (PMIs), pointed towards expansion, growth figures for key regions, such as the US and Eurozone, showed signs of slowdown. Market losses were widespread.

In Developed Equity markets, the MSCI World Index returned -16.2% in USD terms. The most economically sensitive parts of the market, such as consumer discretionary (-23.8%) and information technology (-21.8%), fell into bear market territory. In contrast, traditionally defensive sectors, such as consumer staples and healthcare, fared relatively better, dropping by -6.4% and -7.2% respectively.

In a bid to cool inflation, the US Federal Reserve and the Bank of England continued to raise interest rates. The European Central Bank also expressed a similarly hawkish message, signalling the likelihood (now a fact) of an interest rate rise in Q2—the first since 2011. In turn, tighter Fed monetary policies helped drive the US dollar upwards as the currency outperformed other key regions during the second quarter, notably gaining close to parity with the Euro and breaking the psychologically important 130 yen to the dollar barrier. This US dollar strengthening was a particular headwind for EM stocks. China's continued outperformance, however, helped soften the blow as partial lockdown easing spurred optimism. This meant the MSCI Emerging Markets Index declined 11.5% in USD terms. In the UK, the pound fell relative to the US dollar—but having a depreciating currency was a beneficial factor for many UK FTSE 100 companies because the market is skewed to multinationals with overseas revenue exposure (which benefitted from the dollar's strength).

Relative to other markets, the UK index proved to be one of the best performers during Q2, returning -3.7% in local GBP terms.

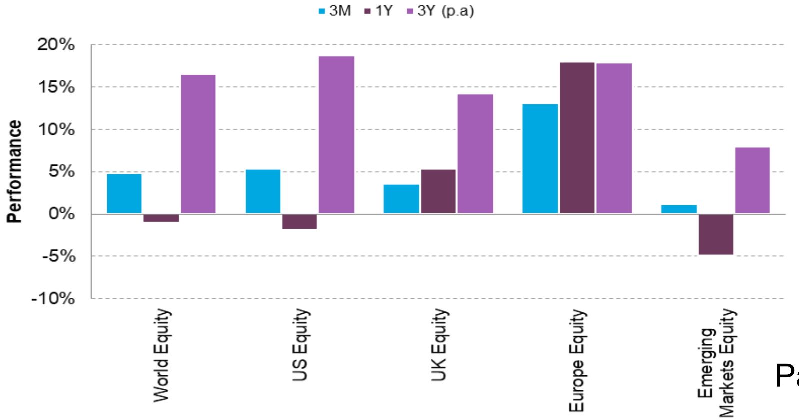
As Summer progressed, Global equity markets declined for the third consecutive quarter with concerns surrounding inflation and interest rate hikes, coupled with growing fears of recession, continued to dominate headlines. Despite an initial rally through July, the MSCI World closed Q3 down 6.2% (in USD terms), extending its year-to-date decline to more than 25%, and the MSCI ACWI was down by almost -7%.

Investment Policy and Performance (continued)

The quarter bore witness to several interest rate hikes in the major developed markets, including the Federal Reserve (to 3.25%), the European Central Bank (to 0.75%) and the Bank of England (to 2.25%) – the highest rates we've seen since the Global Financial Crisis. Yet, the rises generally affirmed a commitment to try to rein in inflation, despite the dampening effect on growth and equity markets. In September, annual inflation reached double digits in the UK (CPI measure) and EU, driven particularly by escalating energy and food costs. UK equities and market sentiment suffered as the new government's fiscal policy announcements were poorly received by markets, driving the value of sterling to an all-time low vs. the US dollar, and ultimately leading to the eventual resignation of Liz Truss as Prime Minister after just 45 days in office.

Emerging markets similarly declined over Q3 (MSCI EM -11.6%). In addition to the general economic weakness, rising rates and inflationary pressures, Eastern European countries were particularly affected by the inflationary and energy effects of the Russian war in Ukraine. Despite positive returns in Q2, China fell sharply in Q3 (MSCI China -22.5%), with the ongoing strict lockdown policy suppressing economic activity alongside other challenges, such as the continued geopolitical tensions with Taiwan.

Performance of Equity Markets to 31 March 2023



Source: bfinance

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)

Reaching the close of 2022 confirmed that after three consecutive calendar years of double-digit positive returns, the MSCI World index declined sharply for the period (-18.1% in USD terms). Inflation once again proved the dominant theme, albeit with materially different drivers compared to 2021: geopolitical conflict, rather than monetary policy tightening, was the primary driving force as the Russian war on Ukraine impacted supply chains and commodity prices. Energy proved to be a key beneficiary (+46% over the 12 months), while traditional defensives such as consumer staples, healthcare and utilities fared relatively well. Those equity markets with strong links to commodities (e.g. UK, Australia, Canada, Latin America) performed particularly well during the year. However, the US–with its high weighting to IT stocks–struggled somewhat: the S&P 500 was down -19.4% in 2022, its worst year in terms of performance since 2008. While 2022 proved to be a disappointing year for equities, Q4 offered some respite, with the MSCI World gaining close to +10% over the three-month period. Investors appeared to take comfort from signs that the pace of monetary policy tightening (across the developed world) might be slowing, with inflation also softening from multi-decade highs. Alongside energy, economically sensitive sectors such as industrials and financials led the way as all sectors other than consumer discretionary generated positive absolute returns. China abruptly relaxed its 'zero-Covid' policy, pushing the MSCI China index higher (+13.5% in USD terms) and helping to spur the broader global emerging markets index where returns were almost on par with those in developed equity markets.

Investment Policy and Performance (continued)

Despite the broad market drawdown over 2022, the first quarter of 2023 saw a continued equity market recovery with positive returns over the period (+8%). This masked some volatile market activity, particularly in the banking sector in March with the collapse of regional US banks SVB and Signature Bank, followed by Credit Suisse. Overall, however, there was some positivity with some (albeit mixed) signs of inflation levelling off. This positive sentiment was reflected in partial performance rebounds for IT, consumer discretionary and communications services– the three worst performing sectors of the market over 2022. The first quarter saw further rate rises by the Fed and European Central Bank. Combined with continued easing of recession fears and a reduction in wholesale energy prices, markets were reasonably well supported for partial return bounce backs, particularly in growth and economically sensitive segments which had been the worst hit in recent months. This particularly supported European markets (MSCI Europe +11%) and the US (S&P 500 +7%). Global developed markets outperformed China (+6% MSCI China All Shares) and global emerging markets generally (+4% MSCI EM). This positive performance was still a sharp contrast to the broad market drawdowns experienced in 2022. China's final major Covid restrictions were lifted abruptly at the turn of 2023 and although there was some ongoing political tension with the US during the quarter, the optimism around reopening and economic growth combined with more positivity on the property market and internet companies combined for overall gains. In other emerging economies, performance was more mixed, with weakness in Brazil amid civil unrest and growth concerns in India; and pockets of strength such as Taiwan.

Bonds

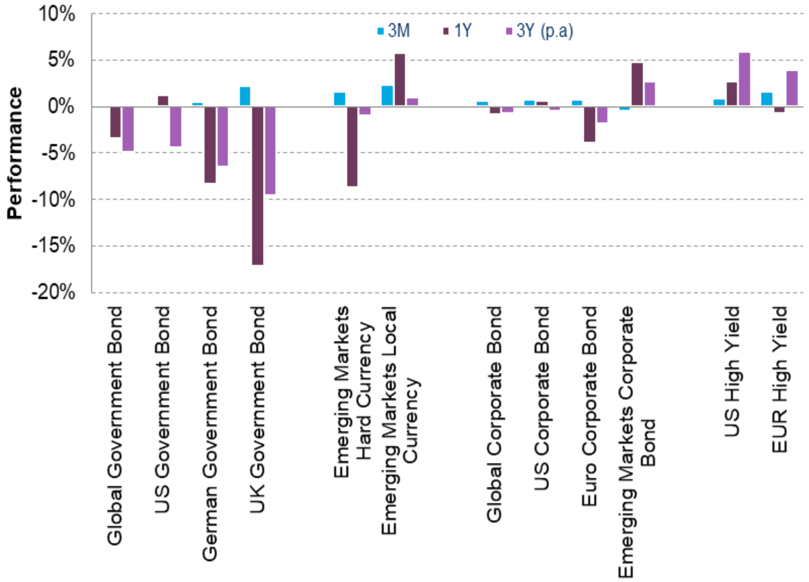
In many ways, the second quarter of 2022 continued as last financial year ended: as central banks in developed markets continued to raise interest rates in attempts to curb inflation, investors' appetite for investment grade (IG) fixed income strategies fell.

Across the range of fixed income securities, asset-backed securities and floating rate assets continued to benefit from this trend—or at least sustained less damage from prevailing market headwinds. In the US, central bank actions in Q2 followed the anticipated schedule of rate hikes broadcast in Q1—most of which had already been priced into bond markets. In Europe, we observed a similar trend as longer-dated yields moved sharply higher than the equivalent shifts seen in shorter-dated yields. The 20-year interest rate, for example, increased from 0.58% at the end of March to 1.59% at the end of June. The benchmark 10-year yield rose to a lesser degree, although it still rose by a 79 basis points, from 0.54% to 1.33% by the end of the period.

Following the adverse global backdrop in the first half of 2022, the respite offered to market participants at the beginning of Q3 proved to be short-lived. Views emerging in the midst of the summer that the Fed's tightening cycle would pivot by mid-2023 were dashed in September by higher-than-expected US inflation numbers. The Fed agreed a third consecutive 75bps hike, with hawkish projections, shrugging off risks of a recession. Meanwhile, far from abating, geopolitical tensions escalated (Ukraine) and multiplied (Taiwan). As a result, volatility rose again during the quarter and markets resumed their losing streak. In the US, the hike pushed the Fed fund rate to 3.25%, its highest level since 2008.

Investment Policy and Performance (continued)

Performance of Bond Markets to 31 March 2023



Source: bfinance

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)

Fixed income closed 2022 on a positive note thanks to a welcome (and much needed!) rally in Q4. Both the Fed and the ECB dialled down on their number of rate hikes on the back of an improved outlook for inflation. In the US, two successive 75bp and 50bp hikes pushed the Fed fund rate to 4.5% by the end the year, its highest level since 2008.

US investment grade corporate bond posted a positive return in Q4 (+3.53%), topping off a challenging 2022 (-15.44%). Bonds of all ratings generated positive returns, led by the riskier BBB-rated group as well as commodity-related sectors.

The first quarter of 2023 started as 2022 ended, with risk-friendly sentiment supported by China reopening and a general expectation of easing inflation and a resilient global economy. However, later in the quarter, strong US labour and retail sales data dampened optimism. Finally, the collapse of Silicon Valley Bank and Credit Suisse raised fresh concerns about the global financial system and made for a turbulent end to the quarter. The Fed made two 25bps hikes to take its federal funds rate range to 4.75–5%. Similarly in Europe, the ECB carried out two 50bps hikes, bringing the rate on its Deposit facility to 3%.

Fund Activity

Valuation and Strategic Asset Allocation review

The 2022 valuation results showed continued improvement in funding levels, to such a healthy position that the Pension Committee has been able to agree to de-risking some of the investment portfolio, focusing on securing the position the fund is in to meet its existing and future liabilities. Confidence in the fundamental funding position is also empowering when it comes to taking decisions regarding the fund’s social and environmental impact, decisions that could be more complicated should the requirement for financial growth by substantially more urgent.

Responsible Investment

Keen followers of the fund’s activities will recall a new Responsible Investment Policy was approved and adopted in 2021, along with a revised Investment Strategy Statement and net zero investment commitments. Attention has since turned to implementation, with initial actions focusing on the fund’s passive equity investments.

Investment Policy and Performance (continued)

This year has seen significant education and investigation of implementation options and I'm pleased to see changes currently being made that will move us along our net zero pathway nicely.

With the results of a consultation expected from government imminently concerning mandatory reporting of investment portfolio carbon intensity this work will only get more important, and the likelihood is similar requirements will be coming down the road on reporting the funds impact on "natural capital" in the coming years.

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 substantial increase in its funding ratio in the past year (by more than 25%) as the value of the liabilities fell significantly (down c. £1bn) while asset values remained broadly flat (down -2.8%).

For the past 12 months our equity investments are in aggregate down 1.6%, slightly behind the passive benchmark. Fixed income investments haven't fared quite as well, down 11.4%, though much closer to the benchmark of -11.12%. The growing alternatives portfolio also struggled, returning c.-0.1% but beating the benchmark of -0.5%.

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, and this continues to be the trend.

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.

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.

The ACCESS Pool is developing solutions to help us implement these alternatives investment more efficiently, with new Real Estate investment options under development that should form a core part of the Cambridgeshire Fund's property investment strategy for years to come.

Outlook

The past year has been all about inflation and it is set to be a dominant theme for the year ahead. Low interest rates, quantitative easing, other forms of stimulus, supply line interruptions, energy cost rises have all played their part in creating it, as yet central bank intervention has failed to curtail it. Looking positively. the fund has many asset investments that should keep up with inflation, and the higher interest rate environment certainly means fixed income investments can look a lot more attractive than they have done for many years. Of course, any major shift in the investment environment can pose challenges for performance.

We will continue making progress against our responsible investment and environmental impact commitments. As data quality continues to get better and better we are increasingly well equipped to understand the nuances of the impacts our investments are having and we can look to shape these to meet our objectives.

While progress has been slow this past year, I expect the ACCESS Pool private markets propositions to get back on track, opening a series of avenues to invest in alternative asset classes in a more efficient and effective manner.

With the fund in a healthy funding position we are in a good place, with strong governance and a resilient portfolio, to continue to face the future with confidence.

Actuarial Information

Cambridgeshire Pension Fund ("the Fund") Actuarial Statement for 2022-23

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 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £4,305 million, were sufficient to meet 125% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £860 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 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 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.9%
Salary increase assumption	3.2%
Benefit increase assumption(CPI)	2.7%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.0 years	24.6 years
Future Pensioners*	22.8 years	26.1 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund to the Fund and on the Fund’s website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund’s assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund’s liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Douglas Green FFA

30 May 2023

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 2022. 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 2022 in respect of benefits earned by members up to this date (along with a comparison at the last formal valuation at 31 March 2019).

Valuation Date	31 March 2019 (£m)	31 March 2022 (£m)
Past Service Liabilities	3,204	3,446
Market Value of Assets	3,193	4,305
Surplus/(Deficit)	-11	860
Funding Level	100%	125%

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. The impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

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 23 – 31 March 26	2023-24	2024-25	2025-26
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate also includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay.

The minimum contributions to be paid by each employer from 1 April 2023 to 31 March 2026 are shown in the Rates and Adjustment Certificate.

Douglas Green FFA

Robert Mclnroy FFA

31 March 2023
For and on behalf of Hymans Robertson LLP

Audit Opinion

Audit Opinion (continued)

Audit Opinion (continued)

Fund Account

31-Mar-22 £000		Notes	31-Mar-23 £000
	Dealings with members, employers and others directly involved in the fund:		
134,643	Contributions	Note 7	148,915
11,532	Transfers in from other pension funds	Note 8	18,402
146,175			**167,317**
-118,306	Benefits	Note 9	-123,517
-8,754	Payments to and on account of leavers	Note 10	-11,281
-127,060			**-134,798**
19,115	**Net additions/(withdrawals) from dealing with members**		**32,519**
-25,633	Management expenses	Note 11	-24,894
-6,518	**Net additions/(withdrawals) including fund management expenses**		**7,625**
	Returns on investments:		
30,719	Investment income	Note 13	52,598
382,996	Profit and (losses) on disposal of investments and changes in the value of investments	Notes 14a and 17b	-133,859
413,715	**Net return on investments**		**-81,261**
407,197	**Net increase/(decrease) in the net assets available for benefits during the year**		**-73,636**
3,898,235	Opening net assets of the scheme		4,305,432
4,305,432	**Closing net assets of the scheme**		**4,231,796**

Notes on pages 55 to 84 form part of the financial statements.

Net Asset Statement

31-Mar-22 £000		Notes	31-Mar-23 £000
4,290,145	Investment assets		4,213,959
-2,445	Investment liabilities		-2,699
4,287,700	**Total net investments**	Note 14	**4,211,260**
23,805	Current assets	Note 21	26,287
-6,073	Current liabilities	Note 22	-5,751
17,732	**Net Current Assets**		**20,536**
4,305,432	**Closing net assets of the scheme**	Note 17a	**4,231,796**

Notes on pages 55 to 84 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 2022-23 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 2023 there was 198 (2022: 213) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-22	31-Mar-23
Number of employers with active members	213	198

The Fund has over 97,000 individual members, as detailed below:

Number of employees in scheme:	**31-Mar-22**	**31-Mar-23**
County council	9,362	9,299
Other employers	19,549	18,768
Total	**28,911**	**28,067**
Number of Pensioners:		
County council	9,185	10,003
Other employers	12,155	12,411
Total	**21,340**	**22,414**
Deferred pensioners:		
County council	13,859	15,772
Other employers	17,514	19,481
Total	**31,373**	**35,253**
Undecided Leavers:		
County council	4,627	4,525
Other employers	6,384	6,887
Total	**11,011**	**11,412**
Total members	**92,635**	**97,146**

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 2023. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2022. Employers' contributions comprise a percentage rate on active payroll between 14.3% and 46.9% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

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

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th or 1/98th for those members who have taken up the 50/50 option and pay proportionately lower contributions.

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

There are a range of other benefits provided under the scheme including early retirement, 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 2022-23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (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 2022) was 125%. The Funding Level at year ending March 2023 was 152%.

There are 491 individual active employers as at March 2023. 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 £124m, with contributions of £149m, showing a net cash inflow.

The actual annual investment return for March 2023 was -2.8% and the Fund value had decreased to £4.231 billion, meaning the fund has decreased by £73.6 million during the year. At 31 March 2023 the Pension Fund has 56.3% of its investments allocated to equities and 13.9% allocated to Bonds, with £25.3 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 £3.0 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 a 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. There have been no group transfers in during 2021-22 and 2022-23.

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 2022-23, £240k of fees are based upon such estimates (2021-22: £234K). In addition, manager fees deducted from pooled funds of £20.1m (2021-22: £21.9m) 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 2023 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 £72m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £5m, and a 1 year increase in assumed life expectancy would increase the liability by approximately £158m. 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 £69.7m. 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 £66.8m to £72.6m. The mid-point of this valuation range has been applied within the Fund's accounts.

Other Private Equity and Infrastructure Uncertainties:

- **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 £809.7m. 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 24.0%, which indicates that Other private equity and infrastructure values may range from £615.4m to £1,004m.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2023, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-22 £000		31-Mar-23 £000
30,628	**Employees' contributions**	**33,124**
	Employers' contributions:	
93,644	Normal contributions	100,571
10,371	Deficit recovery contributions	15,220
104,015	**Total employers' contributions**	**115,791**
134,643		**148,915**

By Authority:

31-Mar-22 £000		31-Mar-23 £000
29,164	Administering authority	31,699
99,693	Scheduled bodies	108,666
5,786	Admitted bodies	8,550
134,643		**148,915**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-22 £000		31-Mar-23 £000
10,865	Individual transfers	18,402
667	Group transfers	0
11,532		**18,402**

Notes to the Pension Fund Accounts (continued)

9. BENEFITS PAYABLE

By category:

31-Mar-22 £000		31-Mar-23 £000
96,636	Pensions	102,737
19,444	Commutation and lump sum retirement benefits	17,863
2,226	Lump sum death benefits	2,917
118,306		**123,517**

By authority:

31-Mar-22 £000		31-Mar-23 £000
36,422	Administering authority	39,425
71,853	Scheduled bodies	73,760
10,031	Admitted bodies	10,332
118,306		**123,517**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-22 £000		31-Mar-23 £000
793	Refunds to members leaving service	1,053
7,961	Individual transfers	10,228
8,754		**11,281**

11. MANAGEMENT EXPENSES

31-Mar-22 £000		31-Mar-23 £000
2,602	Administrative costs	2,868
22,130	Investment management expenses	20,968
901	Oversight and governance costs*	1,058
25,633		**24,894**

*Base fees payable to External Auditors, included within Oversight and Governance costs were £26k during the year (2021-22 £17k). The scale fee variation will be communicated in due course.

12. INVESTMENT MANAGEMENT EXPENSES

2022/23	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
Bonds	235	0	0	0	235
Pooled investments	9,036	0	13	453	9,502
Pooled property investments	534	0	368	179	1,081
Private Equity/Infrastructure	5,156	3,527	154	1,274	10,111
Custody Fees	0	0	0	39	39
Total	**14,961**	**3,527**	**535**	**1,945**	**20,968**

2021/22	Management fees £000	Performance related fees £000	Transaction costs £000	Other costs £000	Total £000
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
Total	**15,877**	**4,137**	**622**	**1,494**	**22,130**

13. INVESTMENT INCOME

31-Mar-22 £000		31-Mar-23 £000
780	Income from bonds	994
8,597	Pooled investments – unit trusts and other managed funds	27,542
8,487	Pooled Property Investments	11,017
12,826	Private equity/infrastructure income	12,020
29	Interest on cash deposits	1,025
30,719		**52,598**

Notes to the Pension Fund Accounts (continued)

14. INVESTMENTS

31-Mar-22 £000		31-Mar-23 £000
	Investment assets	
210,791	Bonds	197,030
2,945,943	Pooled investments	2,854,045
301,637	Pooled property investments	267,510
799,689	Private equity/infrastructure	879,370
19,850	Cash deposits	11,448
11,100	Derivatives contracts: Options	4,141
286	Investment income due	415
849	Amounts receivable for sales	0
4,290,145	**Total investment assets**	**4,213,959**
	Investment liabilities	
-2,410	Derivatives contracts: Options	-2,699
-35	Amounts payable for purchases	0
-2,445	**Total investment liabilities**	**-2,699**
4,287,700	**Net investment assets**	**4,211,260**

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-22	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-23
	£000	£000	£000	£000	£000
Bonds	210,791	56,005	-7,795	-61,971	**197,030**
Pooled investments	2,945,943	74,471	-97,973	-68,396	**2,854,045**
Pooled property investments	301,637	19,021	-12,550	-40,598	**267,510**
Private equity/infrastructure	799,689	112,735	-70,504	37,450	**879,370**
	4,258,060	**262,232**	**-188,822**	**-133,515**	**4,197,955**
Derivative contracts:					
• Purchased/written options	8,690	32,114	-39,013	-349	1,442
	4,266,750	**294,346**	**-227,835**	**-133,864**	**4,199,397**
Other investment balances:					
· Cash deposits	19,850				**11,448**
· Investment income due	286				**415**
· Amount receivable for sales	849				**0**
· Amounts payable for purchases of investments	-35				**0**
Net investment assets	**4,287,700**				**4,211,260**

Notes to the Pension Fund Accounts (continued)

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

	Market value 01-Apr-21 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-22 £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**
	3,844,291	**292,424**	**-302,654**	**423,999**	**4,258,060**
Derivative contracts:					
• Purchased/written options	-46,008	149,776	-53,073	-42,005	**8,690**
	3,798,283	**442,200**	**-355,727**	**381,994**	**4,266,750**
Other investment balances:*					
· 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**
Net investment assets*	**3,864,883**				**4,287,700**

Notes to the Pension Fund Accounts (continued)

14(b). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-22 £000	% of net investment assets		Market value 31-Mar-23 £000	% of net investment assets
Investments managed under Pool Governance:				
1,709,669	39.9	Link Fund Solutions	1,687,761	40.0
959,654	22.4	UBS Global Asset Management	884,740	21.0
2,669,323	**62.3**	**Total Investments managed under Pool Governance**	**2,572,501**	**61.0**
Investments managed outside Pool Governance:				
178,519	4.2	Adams Street Partners	200,494	4.8
19,190	0.4	Allianz Global Investors	14,084	0.3
41,671	1.0	Ares Management	43,061	1.0
197,832	4.6	BlueBay Asset Management	186,233	4.4
85,000	2.0	Cambridge and Counties Bank	69,700	1.7
15,000	0.3	Cambridge Building Society	15,000	0.4
28,356	0.7	Equitix Investment Management	31,132	0.7
20,565	0.5	Foresight Group	43,089	1.0
159,331	3.7	HarbourVest Partners (UK)	191,922	4.6
76,081	1.8	IFM Infrastructure	88,116	2.1
59,578	1.4	JP Morgan	75,350	1.8
81,036	1.9	M&G Investments	66,872	1.6
57,452	1.3	M&G Real Estate	73,198	1.7
50,001	1.1	Partners Group (UK)	41,131	1.0
520,488	12.1	Schroders Investment Management	469,831	11.2
8,946	0.2	UBS Infrastructure	9,122	0.2
19,331	0.5	Cash with custodian	20,424	0.5
1,618,377	**37.7**	**Total Investments managed outside Pool Governance**	**1,638,759**	**39.0**
4,287,700	**100.0**	**Net investment assets**	**4,211,260**	**100.0**

All the above companies are registered in the United Kingdom.

Notes to the Pension Fund Accounts (continued)

The following investments represent more than 5% of the net assets of the scheme as at 31st March 2023.

Security	31-Mar-22	% of total fund	31-Mar-23	% of total fund
	£000	%	£000	%
LF ACCESS Global Stock - Dodge and Cox	562,493	13.1	**575,434**	**13.6**
LF ACCESS Global Equity - J O Hambro	539,385	12.5	**470,975**	**11.1**
LF ACCESS Global Equity - Longview	414,792	9.6	**438,535**	**10.4**
	1,516,670		**1,484,944**	

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 2023 or 31 March 2022.

• 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 2023 or 31 March 2022. 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-22	Notional Holdings	31-Mar-23
Assets				**£000**		**£000**
Overseas equity purchased	One to three months	Put	132,999	11,100	149,636	4,141
Total assets				**11,100**		**4,141**
Liabilities						
Overseas equity written	One to three months	Put	-170,996	-1,485	-192,388	-556
Overseas equity written	One to three months	Call	-132,999	-925	-149,636	-2,143
Total liabilities				-2,410		-2,699
Net purchased/written options				**8,690**		**1,442**

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 2022, 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 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	**£000**	**£000**	**£000**	**£000**
Bonds	197,030	0	0	**197,030**
Pooled Investments	28,440	2,825,605	0	**2,854,045**
Pooled Property Investments	0	0	267,510	**267,510**
Private Equity/Infrastructure	0	0	879,370	**879,370**
Derivatives	0	4,141	0	**4,141**
Net Investment Assets	**225,470**	**2,829,746**	**1,146,880**	**4,202,096**

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**
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**
Net Investment Assets	**223,880**	**2,943,954**	**1,101,326**	**4,269,160**

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
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities valued at a market value based on current yields.	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required
Unquoted bonds and unit trusts	Level 2	Average of broker prices	Evaluated price feeds.	Not required
Pooled Property	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.
Private equity and infrastructure- equity	Level 3	Comparable valuation of similar companies	Price/Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure - other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2022)	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.

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 2023.

Asset Type	Market Value as at 31-Mar-23 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Pooled property investments	267,510	15.5	308,974	226,046
Private equity and infrastructure - equity	69,700	4.2	72,600	66,800
Private equity and infrastructure - other	809,670	24.0	1,003,991	615,349
Total Assets	**1,146,880**		**1,385,565**	**908,195**

16(b) RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Period 2022-23	Market value 01-Apr-22 £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-23 £000
Pooled property investments	301,637	0	19,021	-12,550	-44,109	3,511	267,510
Private equity and infrastructure - equity	85,000	0	0	0	-15,300	0	69,700
Private equity and infrastructure - other	714,689	0	112,735	-70,504	15,905	36,845	809,670
Total	**1,101,326**	**0**	**131,756**	**-83,054**	**-43,504**	**40,356**	**1,146,880**

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-22				31-Mar-23		
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**
			Financial assets			
210,791	0	0	Bonds	197,030	0	0
2,945,943	0	0	Pooled investments	2,854,045	0	0
301,637	0	0	Pooled property investments	267,510	0	0
799,689	0	0	Private equity/Infrastructure	879,370	0	0
11,100	0	0	Derivative contracts	4,141	0	0
0	27,877	0	Cash	0	25,360	0
0	1,135	0	Other investment balances	0	415	0
0	15,778	0	Debtors	0	12,375	0
4,269,160	**44,790**	**0**		**4,202,096**	**38,150**	**0**
			Financial liabilities			
0	0	-2,410	Derivative contracts	0	0	-2,699
0	0	-35	Other investment balances	0	0	0
0	0	-6,073	Creditors	0	0	-5,751
0	**0**	**-8,518**		**0**	**0**	**-8,450**
4,269,160	**44,790**	**-8,518**		**4,202,096**	**38,150**	**-8,450**
		4,305,432	**Total**			**4,231,796**

17b. Net Gains and Losses on Financial Instruments

31-Mar-22 £000		31-Mar-23 £000
	Financial assets:	
423,999	Fair value through profit and loss	-133,515
1,360	Loans and receivables	5
0	Financial liabilities measured at amortised cost	
	Financial liabilities:	
-42,005	Fair value through profit and loss	-349
-358	Loans and receivables	0
0	Financial liabilities measured at amortised cost	
382,996	**Total gains/(losses)**	**-133,859**

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.

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 2022-23 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	18.2
Global equities	19.0
Index linked bonds	8.9
Pooled fixed interest bonds	7.5
Multi asset credit	7.8
Property	15.5
Cambridge and Counties Bank	4.2
Alternatives	24.0
Cash and other investment balances	0.3

Notes to the Pension Fund Accounts (continued)

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

31-Mar-23 Asset Type	Value as at 31-Mar-23 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**81,468**	18.2	96,295	66,641
Global equities	**2,288,216**	19.0	2,722,977	1,853,455
Index linked bonds	**197,030**	8.9	214,566	179,494
Pooled fixed interest bonds	**66,872**	7.5	71,887	61,857
Multi asset credit	**389,050**	7.8	419,396	358,704
Property	**267,510**	15.5	308,974	226,046
Cambridge and Counties Bank	**69,700**	4.2	72,600	66,800
Alternatives	**809,670**	24.0	1,003,991	615,349
Cash and other investment balances	**41,744**	0.3	41,869	41,619
Total Assets	**4,211,260**		**4,952,555**	**3,469,965**

31-Mar-22 Asset Type	Value as at 31-Mar-22 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**91,264**	19.9	109,426	73,102
Overseas equities	**2,385,060**	20.1	2,864,457	1,905,663
Global pooled equities	**210,791**	9.2	230,184	191,398
Index linked bonds	**65,700**	8.1	71,022	60,378
Pooled fixed interest bonds	**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**	0.3	42,857	42,601
Total Assets	**4,287,700**		**5,073,795**	**3,501,605**

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 2023 and 31 March 2022 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-22 £000	Asset Type	31-Mar-23 £000
19,850	Cash and cash equivalents	11,448
8,027	Cash balances	13,912
210,791	Index-linked securities	197,030
456,530	Fixed interest securities	455,922
695,198	**Total**	**678,312**

Exposure to interest rate risk	Asset values 31-Mar-23 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**11,448**	11,448	11,448
Cash balances	**13,912**	13,912	13,912
Index-linked securities	**197,030**	199,000	195,060
Fixed interest securities	**455,922**	460,481	451,363
Total change in assets available	**678,312**	**684,841**	**671,783**

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
Total change in assets available	**695,198**	**701,871**	**688,525**

Notes to the Pension Fund Accounts (continued)

Exposure to interest rate risk	Interest receivable 2022-23 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**1,025**	1,035	1,015
Index-linked securities	**994**	1,004	984
Fixed interest securities	**6,689**	6,756	6,622
Total	**8,708**	**8,795**	**8,621**

Exposure to interest rate risk	Interest receivable 2021-22 £000	Value on 1% increase £000	Value on 1% decrease £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
Total	**2,759**	**2,787**	**2,732**

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 9.9% (the 1 year expected standard deviation). A 9.9% (31 March 2022: 9.5%) 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 9.9% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-23 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas equities - Hedged	**513,465**	0	513,465	513,465
Overseas equities - Unhedged	**1,774,751**	175,700	1,950,451	1,599,051
Overseas fixed income	**455,922**	45,136	501,058	410,786
Overseas cash fund	**11,941**	1,182	13,123	10,759
Total	**2,756,079**	**222,018**	**2,978,097**	**2,534,061**

Assets exposed to currency risk	Value at 31-Mar-22 £000	Potential market movement £000	Value on increase £000	Value on decrease £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
Total	**2,841,613**	**218,952**	**3,060,565**	**2,622,661**

b) Credit risk

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

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

Notes to the Pension Fund Accounts (continued)

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £25.4m (31 March 2022: £27.8m). This was held with the following institutions:-

	Rating	31-Mar-22 £000	31-Mar-23 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAm	1,249	1
Bank deposit account			
Barclays Bank	A-1	34	0
NatWest Bank	A-2	7,993	13,912
Bank current accounts			
Northern Trust custody accounts	A-1+	18,601	11,447
Total		**27,877**	**25,360**

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 2023 the value of illiquid assets was £1,147m, which represented 27.2% of the total Fund assets (31 March 2022: £1,101m, which represented 25.7% 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 2023 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.

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 2022. The next valuation will take place as at 31 March 2025 and will be published in 2026.

The key elements of the funding policy are:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient Funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent Funding strategy
- use reasonable measures to reduce the risk of 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 2022 actuarial valuation, the Fund was assessed as 125% funded (100% at the March 2019 valuation). This corresponded to a surplus of £860m (2019 valuation: deficit of £11m) 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 2022 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 2023 to 31 March 2026	2023-2024	2024-2025	2025-2026
18.4%	£16,449,000	£14,485,000	£13,144,000

The Primary rate above includes an allowance of 0.8% of pensionable pay for the Fund's expenses. The average employee contribution rate is 6.4% of pensionable pay. Full details of the contribution rates payable can be found in the 2022 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-19	31-Mar-22
Price Inflation (CPI)/ Pension increases	2.3%	2.7%
Pay increases	2.8%	3.2%
Discount rate	4.1%	4.9%

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 Male	Active and Deferred Members Female	Current Pensioners Male	Current Pensioners Female
2019 valuation	22.7	25.5	22.0	24.0
2022 valuation	22.8	26.1	22.0	24.6

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) Retirement age - The earliest age at which a member can retire with their benefits unreduced
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 him and the dependent of a female member is assumed to be 3 years older than her.
g) Commutation - 51% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.
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-22		31-Mar-23
£m		£m
-5,536	Present value of promised retirement benefits	-3,953
4,305	Fair value of scheme assets (bid value)	4,232
-1,231	**Net (Liability) / Asset**	**279**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 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-22 % p.a.	Assumption	31-Mar-23 % p.a.
3.20%	Inflation/pension increase rate assumption	2.95
3.70%	Salary increase rate	3.45
2.70%	Discount rate	4.75

Notes to the Pension Fund Accounts (continued)

21. CURRENT ASSETS

31-Mar-22 £000		31-Mar-23 £000
	Debtors:	
2,602	Contributions Due – Members	2,007
8,081	Contributions Due – Employers	5,076
5,095	Sundry Receivables	5,292
15,778		**12,375**
8,027	Cash Balances	13,912
23,805		**26,287**

22. CURRENT LIABILITIES

31-Mar-22 £000		31-Mar-23 £000
5,146	Sundry Payables	4,892
927	Benefits Payable	859
6,073		**5,751**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-22 £000		31-Mar-23 £000
8,629	Prudential	8,489
320	Utmost	275
8,949		**8,764**

Total contributions of £735K (2021-22: £663K) were paid directly to Prudential during the year. No new contributions were paid to Upmost during the year, as it is a closed arrangement.

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-22 £000		31-Mar-23 £000
3,418	Unfunded pensions	3,377
3,418		**3,377**

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 £2.9m (2021-22: £2.5m) 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 £31.7m, excluding Local Education Authority schools, to the Fund in 2022-23 (2021-22: £29.1m). At 31 March 2023 there was £7.1m (31 March 2022: £7.2m) due to the Fund by the Council.

Governance

No 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. However, the following members are a member of the scheme themselves;

Matthew Pink and John Walker.

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

Cllr Sharp, Cllr Boden and 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 external party 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 2023, the Cambridgeshire Fund had invested £1,687.8m in sub-funds of the ACCESS Authorised Contractual Scheme and £884.7m in the UBS passive arrangement resulting in £2,572.5m of assets under pool management representing 61.0% of the Fund's assets.

During 2022/23 a total of £106.9k was charged to the Pension Fund by ACCESS asset pool in respect of operating costs (£95.2k in 2021/22).

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 2023 totalled £313.8m (31 March 2022: £304.3m).

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.

Twelve 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 liablities.

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.

Cambridgeshire Pension Fund
Audit Results Report

Year Ended 31 March 2023

17 November 2023

Building a better working world

Audit and Accounts Committee / Pension Fund Committee
Cambridgeshire County Council
New Shire Hall
Emery Crescent Enterprise Campus
Alconbury Weald, Huntingdon
PE28 4YE

17 November 2023

Dear Audit and Accounts Committee / Pension Fund Committee Members,

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 2022/23.

The audit is designed to express an opinion on the 2022/23 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 Funds accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement 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 Audit and Accounts Committee meeting on 1 December 2023.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

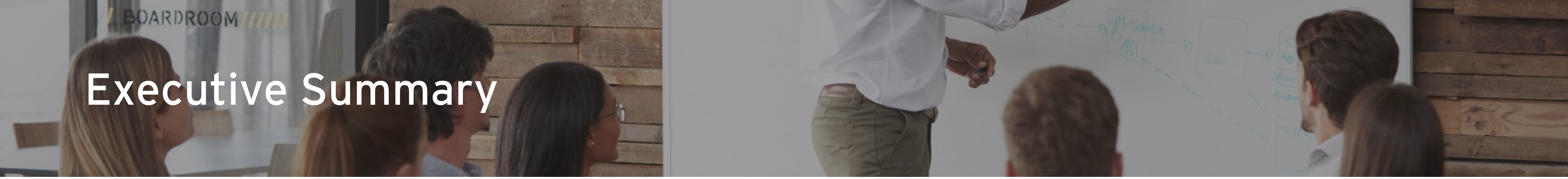
Contents

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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/). 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 from July 2021" 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

Scope update

In our Audit Plan presented to the 12 September 2023 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. We have not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

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

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's Financial Statements. We are currently unable to provide a definitive timeline for the formal conclusion and audit opinion for the audit, due to the need to first conclude on the ongoing 2021/22 audit as part of the closure of the Cambridgeshire County Council (the Pension Fund accounts form a part of the Council's financial statements) and the need to consider the audit arrangements for the 2022/23 audit of Cambridgeshire County Council.
We will, provide an update on this matter as soon as we are practicably able to do so.

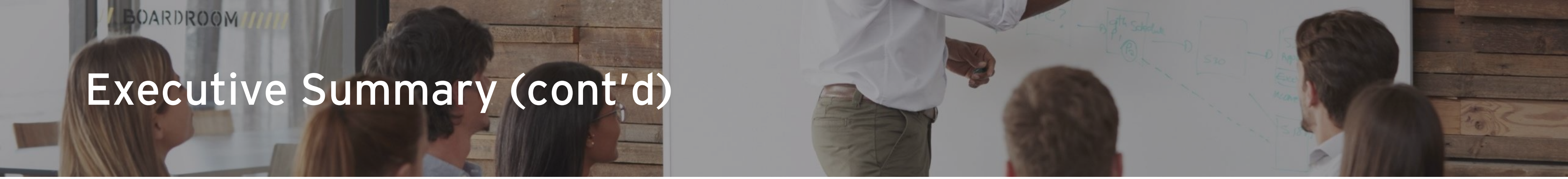
Audit differences

Uncorrected Differences
There are no uncorrected audit differences to report as a result of our audit.

Corrected Differences
There have been two corrected audit differences identified through our audit procedures. The first difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). This change was made prior to the commencement of our audit.

The other difference relates to the level 3 Investment asset balance within the Net Asset Statement, which initially included a number of estimated asset valuations for the Level 3 assets. The value of these assets were based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were received from fund managers for the Level 3 assets as at the 31 March 2023. This showed that the Investment asset balance was understated by £12.847 million.

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



Executive Summary (cont'd)

Areas of audit focus

In our 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 explained within Section 2 of this report and summarised below.

<u>Misstatements due to fraud or error – management override and incorrect posting of investment journals</u>

- We have completed our testing and found no material errors or indication of management override of controls.

<u>Unusual Investments - Cambridge and Counties Bank (CCB)</u>

- We identified an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
- We have completed our work in this area and have no further matters to report.

<u>Valuation of Level 3 Complex Investments (Unquoted Investments)</u>

- We have completed our work in this area. We have highlighted one audit difference as a result of the receipt of updated valuation information in respect of these Level 3 Investment assets, resulting in an understated valuation of £12.847 million. Management intend to correct this in the final version of the accounts.

<u>Valuation of Level 2 Investments (Pooled Investments)</u>

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

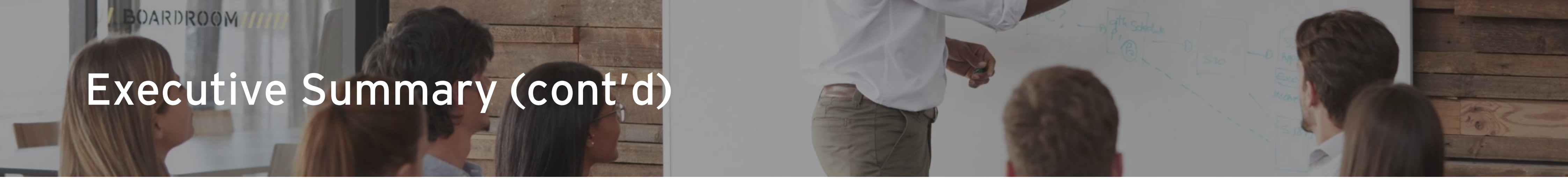
<u>IAS 26 Disclosure – Actuarial Value of Promised Retirement Benefits</u>

- 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 (cont’d)

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 7 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error – management override and incorrect posting of investment journals

What is the risk, and the key judgements and estimates?

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

The valuation of investment assets and income are key metrics for measuring the performance of the Pension Fund. These values are taken from the custodian reports and posted to the general ledger through journals. We consider that management has an incentive to increase these values reported in the financial statements and is in a unique position to influence the posting of investment income and year end investment asset valuation journals. There is therefore a risk that this may result in misstatement either due to fraud or error.

We have therefore identified investment asset and income journals as a fraud risk.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Identified fraud risks during the planning stages;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud; and
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To respond to the specific fraud risk we have identified relating to the incorrect posting of journals, we performed the following additional audit procedures:

- Undertook a review of reconciliation to the fund managers and custodian reports and investigate any reconciling differences;
- Reperformed the detailed investment note using the reports we have 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 and ensure the amounts are consistent with Fund Managers and Custodian Reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated the business rationale for each journal selected for testing.

Areas of Audit Focus (cont'd)

Misstatements due to fraud or error – management override and incorrect posting of investment journals (cont'd)

What are our conclusions?

Our testing has not identified any material misstatements within investment journals 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.

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 (cont'd)

Significant Risk: Unusual Investments – Cambridge and Counties Bank (CCB)

What is the risk, and the key judgements and estimates?

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.

Our response to the key areas of challenge and professional judgement

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 has 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?

We have an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the financial statements originally published within the draft Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). It is this number that we then performed our audit procedures against.

Management's Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £66.8 million to £72.6 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 £67.0 million and £78.0 million range. The investment is held at £69.7 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 Cambridge 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 (cont'd)

Significant Risk: Valuation of Level 3 Complex Investments (Unquoted Investments)

Our response to the key areas of challenge and professional judgement

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

- Assessed the competence of Management's experts;
- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

What is the risk, and the key judgements and estimates?

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 2022/23 draft accounts, approximately 27% of the value of the overall Fund, totalling £1.134 billion, 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 are our conclusions?

We have identified one audit difference through our testing procedures.

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 2022 audited valuations adjusted for cash flows through to the 31 March 2023. 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 2023. This showed that the Investment asset balance was understated by £12.847 million in respect of these Level 3 assets. Management intend to adjust for this updated valuation within the revised final statements.

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

Areas of Audit Focus (cont'd)

Valuation of Level 2 Investments (Pooled Investments)

What is the risk, and the key judgements and estimates?

The Fund's investments also include other Pooled Investment vehicles, totalling £2.854 billion in the 2022/23 draft financial statements.

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.

Our response to the key areas of challenge and professional judgement

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

- Assessed the competence of management experts;
- Reviewed the basis of valuation for Pooled Investments and assessing the appropriateness of the valuation methods used;
- Reviewed the observable data points used in the calculation of the investment valuation;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 2 investments have been appropriately made in the Pension Fund's financial statements.

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 (cont'd)

IAS 26 Disclosure -Actuarial Present Value of Promised Retirement Benefits

What is the risk, and the key judgements and estimates?

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.953 billion as at 31 March 2023.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on the 2022/23 triennial valuation, which resulted in further audit procedures being required. This estimate includes 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 therefore a risk that the valuation uses inappropriate assumptions to value the liability as at 31 March 2023. There is also a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct.

Our response to the key areas of challenge and professional judgement

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

- Assessed the competence of managements expert, Hymans Robertson;
- Engaged 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;
- Ensured that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; and
- Reconciled the data provided to actuary for the triennial valuation;
- Tested 25 members per report included in the triennial valuation data submission to ensure the details agree to underlying records.

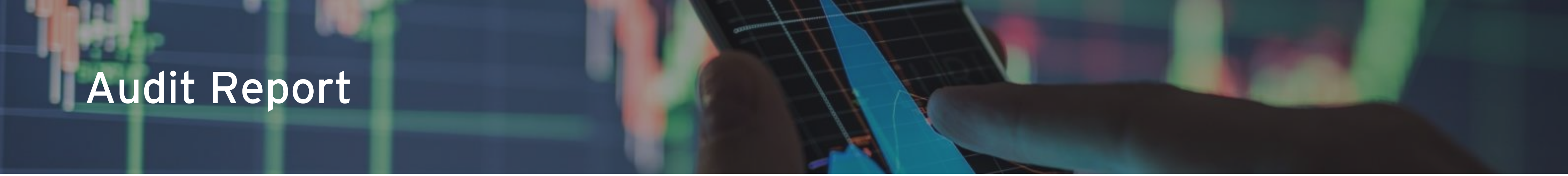
What are our conclusions?

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.

03 Audit Report



Audit Report

Draft Audit Report

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 2023 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 26.

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 2022/23.

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 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023 ; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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.

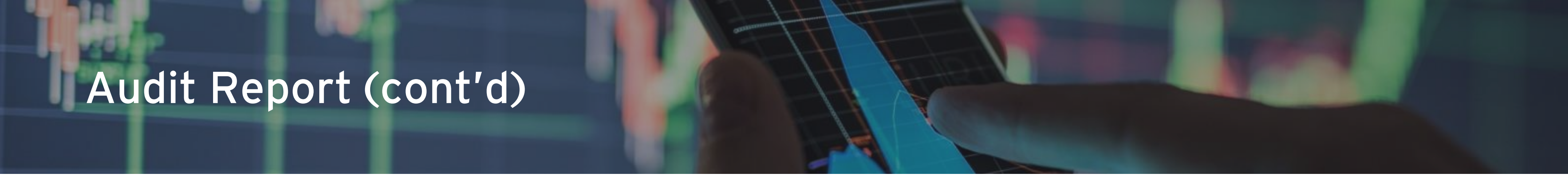
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Finance & Resources’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 Executive Director of Finance & Resources 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 (cont'd)

Draft Audit Report

Other information

The other information comprises the information included in the ‘Statement of Accounts 2022-23’, other than the financial statements and our auditor’s report thereon. The Executive Director of Finance & Resources is responsible for the other information contained within the ‘Statement of Accounts 2022-23’.

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:

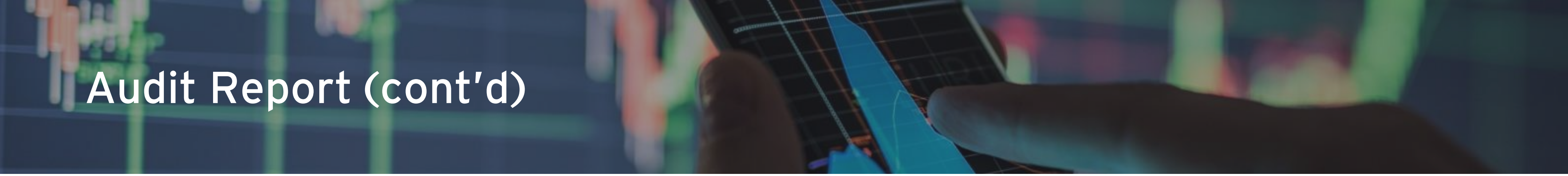
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration 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 Executive Director of Finance & Resources

As explained more fully in the Statement of Responsibilities, Certificate and Approval of Accounts set out on pages 21-22, the Executive Director of Finance & Resources 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 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Finance & Resources is also responsible for such internal control as the Executive Director of Finance & Resources 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 Executive Director of Finance & Resources 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.



Audit Report (cont'd)

Draft Audit Report

Auditor's responsibilities for the audit of the financial statements

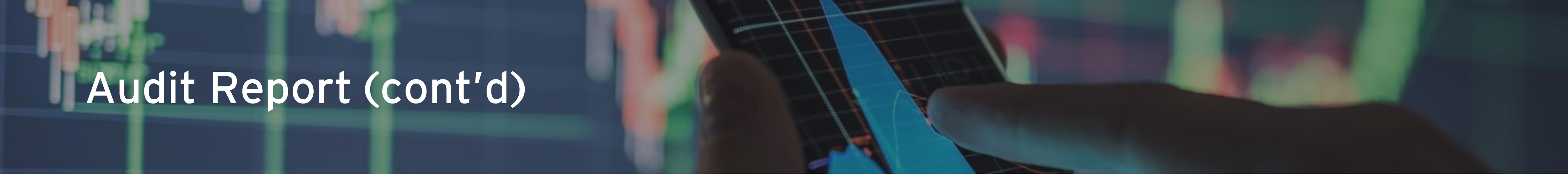
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 the Executive Director of Finance & Resources

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.
- 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.



Audit Report (cont'd)

Draft Audit Report

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.

Summary of adjusted differences

We highlight the following misstatements identified during the course of our audit. These misstatements have been corrected by Management.

Corrected differences

With the exception of minor disclosure items, there have been two corrected differences identified throughout our audit.

1. **Net Asset Statement - Valuation of Level 3 Asset - Cambridge & Counties Bank (CCB).** This difference relates to an amendment made from the version of the accounts originally published within the draft Cambridgeshire County Council financial statements, which erroneously did not include the updated CCB valuation. The updated draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
2. **Net Asset Statement – Valuation of Level 3 Assets (excluding CCB)**. The Investment asset balance within the Net Asset Statement included a number of estimated asset valuations for Level 3 assets. The valuation of these assets was based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of these Pension Fund's Draft Statement of Accounts, updated valuations for these Level 3 assets were provided by the fund managers for the 31 March 2023 audited position. This showed that the Level 3 investment asset balance was understated by £12.847 million.

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

There are no uncorrected differences identified throughout our audit.

05 Other Reporting Issues

Other Reporting Issues

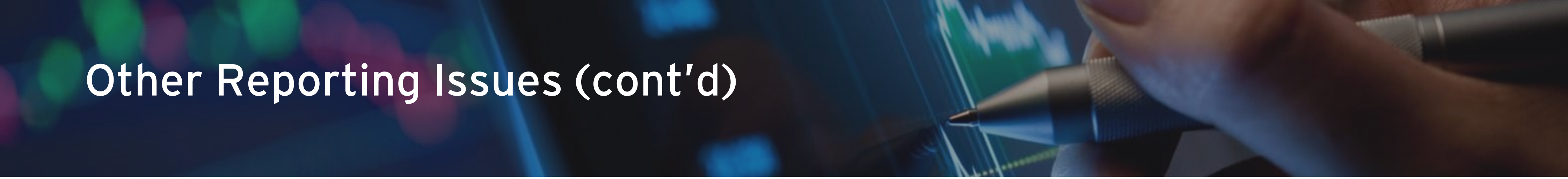
Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2022/23 with the audited Pension Fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.

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 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 had no reason to exercise these duties.



Other Reporting Issues (cont'd)

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 Fund's financial reporting process. Such items will include where relevant:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures
- Scope of the consolidation, including any exclusion criteria applied to non-consolidated entities if any and whether they are in accordance with the financial reporting framework
- Significant difficulties, if any, encountered during the audit
- Significant matters, if any, arising from the audit that were discussed with Management
- Matters regarding management's process for identifying and responding to the risks of fraud in the entity
- Disagreements with management, if any arising during the audit
- Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process.
- Written representations that we are seeking
- Expected modifications to the audit report
- Findings and issues regarding the opening balance on initial audits (if applicable)
- Related parties
- External confirmations
- Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks.
- Use of auditor's external specialists

Other than those areas we have outlined in the previous section, we have nothing to report in respect of these matters.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from financial year 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application. When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures. We reviewed the following processes for the relevant IT applications: • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process	No significant issues have been identified in our review of the applicable processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

06 Assessment of Control Environment

Assessment of Control Environment

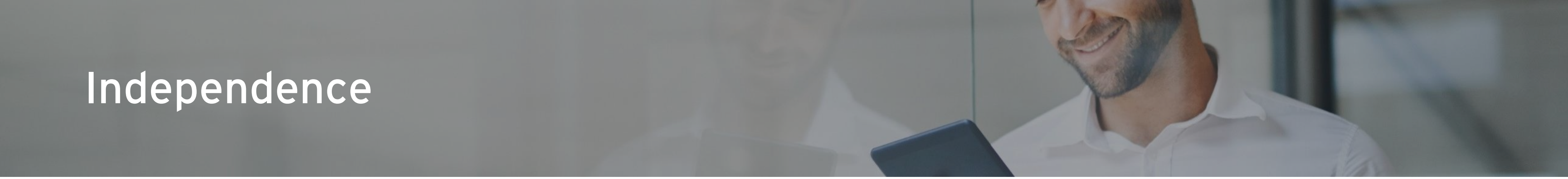
Financial controls

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. 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.

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 we have adopted a fully substantive approach, we have therefore not tested the operation of controls. 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



Independence

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the 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 2022 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

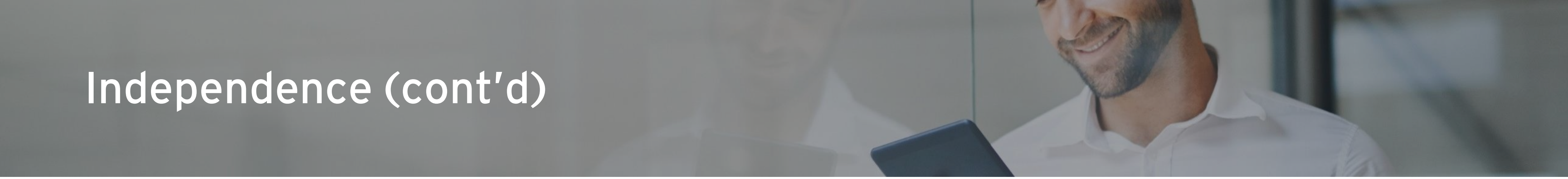
The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2023 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Current Year 2022/23	Prior Year 2021/22
	£'s	£'s
Scale Fee – Code work – see **Note 1**	25,881	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk	TBC	TBC
Additional work required for specific additional procedures including revised estimates standard – see **Note 2**	TBC	TBC
Additional fee for IAS 19 assurance work on behalf of admitted body auditors – see **Note 3**	15,500	8,800
Total fees	**TBC**	**TBC**

Note 1: We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315. Given the 2021/22 audit has yet to conclude, we have not yet submitted this variation to PSAA Ltd for determination. We will follow the same process for 2022/23.

Note 2: For 2022/23 there are a number of risk factors to the audit such as the valuation of Cambridge & Counties Bank. As our 2021/22 audit has not yet formally concluded, we have not yet submitted the additional fee that will be notified to Management and then be subject to determination by PSAA Ltd. The same approach will apply in respect of the 2022/23 audit.

Note 3: We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This will include additional costs in relation to work to be performed over the triennial valuation in respect of our 2022/23 audit, estimated to be £6,000. The Pension Fund can recharge this fee to the relevant admitted bodies.



Independence (cont'd)

EY Transparency Report 2022

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 2023:

EY UK 2023 Transparency Report | EY UK

08 Appendices

Appendix A - Audit approach update

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 Asset 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

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.
12 September 2023	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held with management and the audit team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout September and October.
17 November 2023	Meeting	Audit close meeting with Management to discuss the preliminary findings of the audit.
17 November 2023	Report	Management and the Audit & Accounts Committee were provided details of internal control observations made in respect of the current year.
17 November 2023	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit & Accounts Committee.
1 December 2023	Meeting	Senior members of the audit team met with the audit committee and senior members of the management team to discuss the audit results report.

In addition to the above specific meetings and letters the audit team met with Management multiple times throughout the audit to discuss audit findings.

Appendix C - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees 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 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 – 12 September 2023 – Audit and Accounts 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 – 12 September 2023 – Audit and Accounts Committee
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - 1 December 2023 – Audit and Accounts Committee

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - 1 December 2023 – Audit and Accounts Committee

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Fraud	▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - 1 December 2023 – Audit and Accounts Committee

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Provisional Audit Plan – 12 September 2023 – Audit and Accounts Committee Audit Results Report - 1 December 2023 – Audit and Accounts Committee
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	We have no matters to report

Appendix C - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 1 December 2023 – Audit and Accounts Committee
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 1 December 2023 – Audit and Accounts Committee

Appendix D - Outstanding matters

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
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. 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
One Cambridge Business Park
Cambridge
CB4 0WZ

Tel: 01223 394400
Fax: 01223 394401
www.ey.com/uk

17 November 2022

Michael Hudson
Executive Director of Finance & Resources
Cambridgeshire County Council
New Shire Hall,
Emery Crescent Enterprise Campus
Alconbury Weald, Huntingdon
PE28 4YE

Dear Michael,

Cambridgeshire Pension Fund – 2022/23 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 2023.

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 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, 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 2022/23.

2

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 2022/23.
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 2022/23, 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 2022/23 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 (continued)

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3

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 noncompliance 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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4

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 November 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 (continued)

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 2022/23".

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.

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 202223).

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 (continued)

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7

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
Partner
For and on behalf of Ernst & Young LLP

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EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

UKC-024050 (UK) 07/22. Creative UK.

ED None

ey.com/uk

Agenda Item No: 7

Financial reporting and related matters

To:	Audit and Accounts Committee
Meeting Date:	1 December 2023
From:	Executive Director for Finance & Resources
Electoral division(s):	All
Outcome:	The Committee is updated on latest progress with matters related to external audit, including the ongoing audit of 2021-22, historic objections received in 2017 and 2018 and planning for financial reporting for 2023-24, the first year of a new auditor appointment
Recommendation:	The Committee is invited to note the report and receive the appended progress report from EY regarding 2021-22

Officer contact:
Name: Tom Kelly
Post: Service Director: Finance & Procurement
Email: tom.kelly@cambridgeshire.gov.uk
Tel: 01223 699241

1. Background

1.1 The Council published its [draft and unaudited statement of accounts] for 2022-23 on 20 July 2023. These are available on the Council's website and were received and discussed by this Committee at its meeting on 28 July 2023.

1.2 There are well-known and widespread challenges nationally with the timeliness of reaching audited, certified and completed financial statements for local government arising from various factors including regulatory and risk factors, auditor capacity and technical/accounting standard related issues.

1.3 It is understood that DLUHC are proposing to introduce a set of deadlines in statute for the completion of audits relating to financial years 2015-16 to present, after which auditors would provide as much assurance as possible for any years outstanding if necessary limiting their audit opinion on the basis of insufficient, appropriate evidence. This may result in a number of qualifications and disclaimers of opinions for a number of local authorities, but it is emphasised that statutory requirements for auditors to report on value for money arrangements would remain a high priority. Since the last Committee meeting in September there have been no further announcements about this nationally; until the fine details are announced, and given statutory or regulatory force, audit planning is inhibited.

2. Main Issues

2.1 Objections to the accounts in 2016-17 and 2017-18

2.1.1 As at the date of drafting this report there remain two objections to the accounts for the years ending 2017 and 2018 with the Council's previous external auditor BDO LLP. Since the last Committee, the Council has continued to request regular updates from BDO. The Executive Director for Finance and Resource has highlighted the Council's experience and current position, as an example, to stakeholders with leadership roles in local government audit.

2.1.2 At the end of August, we received an update from BDO reiterating that legal checks on their work on the objections had progressed and been returned to the firm and this led to presenting an individual further query to the Council relating to 2016-17. The Council provided a response to this within 4 working days on 4 September. The most recent written update from BDO on 12 November 2023 was to restate that they are completing pre-existing commitments on audit assignments elsewhere in the public sector and that they expect to be able to attend to the completion of the consideration of the objections after the end of November, as a priority.

2.1.3 Our understanding is that once the objections in these years have been determined, the completion and closure of the audits for those years will be certified. In September, we relayed to the Committee BDO's position that they are looking to exercise their statutory entitlement to fees for the work related to the objections. We have requested an itemisation of any costs proposed.

2.2 Work by the auditor on use of resources for the years 2018-19 – 2021-22

2.2.1 With the determination of objections received by EY as auditor in 2019, 2020, 2021 and 2022 occurring in March 2023, and no further action or appeal on those matters, the auditor has been able to resume wider work on the Council's use of resources which will lead to their value for money opinion for those years.

2.2.2 This work includes sampling of expenditure and review of associated procurement arrangements, further to BDO's findings of weaknesses in this area in 2017-18. EY also consider the Council's financial sustainability (planning and manging resources for the long term), governance (making properly informed decisions and managing risk) and improving economy, efficiency and effectiveness. The Council is responding to enquiries relating to these years and EY will also refer to relevant work by internal audit. We welcome the progression of this part of the audit and are hopeful that in due course it will enable the auditor to issue several years of value for money opinions in quite quick succession.

2.3 Audit of the financial statements for the year ending 31 March 2022

2.3.1 This Committee received a provisional audit results report from EY for 2021-22 at its meeting on 9 February 2023 and a further progress update in September. In order that EY could progress audits for other clients and such that the Council could focus on production of draft accounts for 2022-23 audit activity was largely paused during the spring and early summer and has resumed during August to complete the outstanding items.

2.3.2 EY have provided a progress update (dated 21 November 2023) which is appended to this report. EY have identified a number of findings which mainly relate to views on valuations, particularly related to Property, Plant and Equipment and as such are balance sheet presentation related. The areas outstanding for 2021-22 have further reduced and at the date of drafting this report, the remaining areas to be completed are now limited to:

- Long term debtor – This Land. EY are testing projections contained within the 2022 This Land Business Plan, back to underlying site-specific development appraisals and cashflows. This is thus a valuation matter.
- Vehicles, plant and equipment balance and depreciation. This again is thus a valuation matter that should not impact revenue.
- Cash and VAT debtor – the outstanding queries referenced in EY's audit results report have now been/are about to be concluded.
- Audit closing procedures will need to be finalised upon resolution of the above, for example the letter of representation from the s151 Officer and a reassessment of going concern. No issues are expected from this as it is procedural.

It is anticipated these queries should be straightforward to resolve, although in some cases there are dependencies on third parties or specialists within the finance team in order to complete.

2.4 Planning for accounts production and audit 2023-24

2.4.1 KPMG LLP is the appointed auditor to the Council for the five years commencing 1 April 2023. Liaison meetings have begun between the audit leads at KPMG and the Council's finance officers in order to build familiarisation with the Council's financial position and risk profile. We understand KPMG expect to be able to begin attending/observing the Committee very shortly and providing an audit plan in the next quarter. Contingent on national timelines and local circumstances/handover, KPMG have advised the Council of their preferred timescales for undertaking an interim/preliminary audit of the Council's main accounts and pension fund during 2024, providing the finance team with an initial planning basis.

2.4.2 We can expect the changeover of auditor to bring with it some early challenges in terms of adjustments to processes, additional background and familiarisation with systems and alternative perspectives / approaches to audit risk or code compliance. KPMG are making arrangements to meet with statutory officers and other senior stakeholders across the Council and have shared their initial client questionnaires and prepared by management requests. These enable further planning, preparations for sampling and risk assessment and are focused on areas such as assets and valuation; IT, cyber and business systems; fraud, internal audit arrangements and internal controls and value for money and partnership working as well as chart of accounts and ledger requests. The Council is proactively responding to these requests in order that the capacity KPMG LLP has allocated can be well utilised, and a smooth start to 2023-24 secured.

2.4.4 The main areas identified for attention leading to a faster year-end closure of the accounts and published financial reports are:

- Business systems enhancements – streamlining the process for processing of annual fixed assets accounting journals.

- Property and valuations
    - valuer accountability for delivery of asset valuations much earlier (on track for January, 4 months earlier than 2023).
    - improved quality assurance and data manipulation through implementation of the Council's incoming asset management system, Concerto.
    - componentised assets review – we anticipate it will be possible to simplify some of the data by reducing the number of assets that are valued in components.
    - rolling programme review – bringing forward certain asset valuations in order to more evenly spread the valuation of assets across the five-year cycle
    - there is currently a HM Treasury review of the valuation of non-investment assets for financial reporting purposes concerned with potential reforms to the requirements and acceptable methodologies, reducing audit risk in this area – the Council would welcome this.

- Finance capacity and resilience – we have created a specialist role within the corporate finance team focused on fixed assets and capital accounting, which has been filled through internal recruitment; pending a backfilling appointment this will boost the Council's financial reporting capacity.

- Improved processes for grant registers and receipt of payroll information from school payroll providers.

- Accounts document streamlining.

Preparations are also progressing for implementation of IFRS 16 in relation to leases.

2.5.5 In their progress report at this meeting, EY repeat control observations included in their February report. Officers outlined responses to these observations in our accompanying report at that time. In several areas improvements were made for production of the accounts for 2022-23 and further actions will be taken as part of planning for 2023-24. One example is that a specialist solar valuation was completed in May 2023 (and used within the 2022-23 accounts).

2.5.6 The Committee has already provided a delegation to the section 151 officer and the Chair in consultation with the Vice Chair and Cllr Boden to sign the final Statement of Accounts, and to make any related declarations and representations taking account of the final audit results report to be received from the external auditor and agreed adjustments, contingent on receiving an unqualified opinion on the financial statements. This will be utilised in the event it is possible to finalise the accounts ahead of the next scheduled Committee date.

3. Significant issues and alignment with ambitions

There are no significant issues or implications for the ambitions:

3.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

3.2 Travel across the county is safer and more environmentally sustainable

3.3 Health inequalities are reduced

3.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

3.5 Helping people out of poverty and income inequality

3.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

3.7 Children and young people have opportunities to thrive

4. Source documents

Council and committee meetings - Cambridgeshire County Council > Meetings (cmis.uk.com)

Statement of accounts - Cambridgeshire County Council

Local Audit Liaison Committee - GOV.UK (www.gov.uk)

HM Treasury review of non-investment asset valuations | Local Government Association

Cambridgeshire County Council

Audit Results Report

Year ended 31 March 2022

21 November 2023

Building a better working world

Audit and Accounts Committee
Cambridgeshire County Council

21 November 2023

Dear Audit and Accounts 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 & Accounts Committee. This report follows our provisional Audit Results Report dated 3 February 2023 and our Audit Results Report - Progress Update Report dated 18 September 2023.

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 County Council'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 & Accounts Committee, other members of the Council 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 Audit & Accounts Committee meeting on the 1 December 2023.

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Encl

Contents

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 and management of Cambridgeshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, and management of Cambridgeshire County Council 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 and management of Cambridgeshire County Council 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

Scope update

In our Provisional Audit Plan dated the 8 September 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, with the following exceptions:

- Changes in materiality: In our Initial Audit Plan, we communicated that our audit procedures would be performed using a materiality of £19.7 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have maintained our overall materiality assessment to £19.7 million. This results in performance materiality being maintained, at 50% of overall materiality, of £9.85 million, and the threshold for reporting misstatements at £0.985 million.
  Note: for the Group audit, this materiality has been calculated on the Group's prior year gross expenditure as £20.2 million (rounded).

Status of the audit

We have progressed well with our audit of the Cambridgeshire County Council financial statements for the year ended 31 March 2022 and have performed the majority of the procedures outlined in our Initial Audit Plan.
The outstanding areas of audit work at the date of this report are:

- Completion of cash procedures through receipt of cash confirmation from Barclays and resolution of queries on the schools cash balances;
- Completion of work on Long Term Debtors through support for cash flow projections and business plans to support recoverability of This Land debtor;
- Completion of work on Property, Plant and Equipment linked to the Council's accounting policy for Vehicles, Plant and Equipment assets;
- Completion of work on Debtors, with testing of the VAT debtor position requiring final support or quantification of the level of error; and
- Completion of work on Journals with remaining queries to resolve in respect of manual and system journal types.

Closing Procedures:

- Review of the final version of the financial statements including an updated Going Concern disclosure and assessment;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. Given the significance of the outstanding matters, and the elapsed time to resolve them to date, these may have the potential to lead to a modification of our final opinion, if they cannot be resolved in a timely manner.

We expect to issue the audit certificate after we issue the audit opinion, once the requirements in respect of the WGA submission are known and any procedures completed.

Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit – Value for Money

Following delays to previous Value for Money Conclusion's, we have commenced our Value for Money work in respect of 2018/19 through to 2021/22, which is a significant undertaking given the multiple periods required to be covered and the elapsed length of time since the year of review.

We are making good progress across all years, but we are not yet in a position to conclude on this work.

We will update a future Audit and Accounts Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.

Executive Summary

Audit differences

Uncorrected differences

At the date of this report, we have identified the following audit differences which are yet to be adjusted by Management within revised financial statements. We acknowledge that Management may choose to correct for a number of these at the conclusion of the audit, but until notified of the correction they remain classified as uncorrected.

1. **Balance Sheet – Investment Properties** – Our review of the valuation of Brunswick House has identified that an incorrect income assumption has been used. As a result, the balance sheet value of the asset is overstated by £4.6 million. However, the Council had not processed this valuation in the asset register, and therefore the asset register was initially understated by £4.7 million. The net impact of these adjustments is £0.1 million, hence the Council have elected not to adjust.

2. **Balance Sheet – Investment Properties –** Our specialist review of the valuation of Investment Properties has identified two properties which fall below our specialist's valuation range. As a result, the balance sheet value of these two assets is deemed to be understated by £3.4 million.

3. **Balance Sheet – Property, Plant and Equipment** – Our review of the valuation of Fourfield CP School has identified that an incorrect build date and useful life assumption has been used in the valuation. As a result, the balance sheet value of this asset is understated by £1.6 million.

4. **Balance Sheet and Comprehensive Income & Expenditure Statement - Revenue Expenditure Funded from Capital Under Statute (REFCUS)** – Costs have been accrued in respect of REFCUS contributions to the A14 development project, however delays to the project have meant that any costs were not incurred until 2022/23. REFCUS and Short Term Creditors are overstated by £1.000 million.

5. **Balance Sheet - Provisions** – We identified a difference between the Insurance Broker's report and the value of the Insurance Provision in the Statement of Accounts. The Provisions balance in the Balance Sheet is overstated by £1.418 million. We understand that this difference arose due to the Insurance Broker's report being received after the Statement of Accounts were drafted for publication. Management have chosen not to adjust for this difference.

6. **Balance Sheet – Creditors** – We have identified that a previously recognised error in respect of HMRC creditors is yet to be corrected. We understand that this remains a work in progress by management to quantify the final balance. We have raised an uncorrected difference where creditors are understated by £2.4 million.

7. **Balance Sheet – Property, Plant and Equipment** – Our specialist has assessed that land values used across the revalued asset portfolio, primarily in the Central Cambridge location, are high and outside of our expected range. As a result, we deem that Property, Plant and Equipment is overstated by £4.2 million.

8. **Balance Sheet – Property, Plant and Equipment** – Our specialist has assessed that the assumptions used in the valuation of farm assets are overly conservative. As a result, we deem that Property, Plant and Equipment is understated by £5.0 million.

We request that these uncorrected differences be corrected, or a rationale as to why it is not corrected, be considered and approved by the Accounts & Audit Committee and provided within the Letter of Representation.

Executive Summary

Audit differences (continued)

Corrected differences

At the date of this report, we have identified the following audit differences which are to be adjusted for by management within the revised financial statements.

1. **Balance Sheet - Net Pension Liability** – The Council received a revised IAS19 Actuary report – which changed the value of the pension plan assets. This had the result of reducing the net pension liability by £4.1 million. The adjustment was made due to new information being provided by the Actuary after the draft statement of accounts had been prepared.

2. **Balance Sheet – Net Pension Liability** – Updated information became available during the audit following the completion of the Pension Fund Triennial Valuation. The difference is a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at 31 March 2022. The Net Pension Fund Liability was understated by £9.6 million. *Note: this corrected difference is in addition to the corrected difference set out above (total increase in liability £5.5 million.*

3. **Group Accounts** – The audit of This Land Limited identified overstatements of Income and Expenditure due to incorrect Income recognition. These adjustments were not reflected in the results of This Land Limited at the time of the initial group consolidation, but are to be reflected in the revised financial statements. This impacts the Group accounts only, and has the impact of reducing Gross Expenditure by £2.572 million, Gross Income by £3.239 million, and increasing Financing and Investment Income by £0.815 million. It also increases the Inventory balance in the Group accounts by £0.148 million.

4. **Comprehensive Income and Expenditure Statement – REFCUS** – The Council have recognised £1.0 million of REFCUS expenditure in 2021/22, however this expenditure was not incurred until 2022/23. REFCUS and Creditors are therefore both overstated by £1.0 million.

5. **Balance Sheet – Property, Plant and Equipment –** The Council have incorrectly classified a leased out rental unit as an Operational Land & Buildings asset, when this should be classified as an Investment Property. Property, Plant and Equipment is therefore overstated, and Investment Property is understated by £2.4 million.

6. **Balance Sheet – Property, Plant and Equipment –** The Fixed Asset Register did not agree to the final valuation schedule provided by Bruton Knowles. As a result, Property, Plant and Equipment is understated by £4.1 million. A further two assets were later identified as not reflected in this adjustment, where the balance was overstated by £1.6 million. The net impact of this is that Property, Plant and Equipment is understated by £2.5 million.

7. **Comprehensive Income and Expenditure Statement – Audit Fees** – The Council have under accrued for audit fees in respect of previous audit years. As a result, expenditure and creditors are equally understated by £0.2 million.

8. **Balance Sheet – Property, Plant and Equipment** – The Council's depreciation for Infrastructure Assets has been calculated with a 40 year useful life, compared to an assessment of the useful life of these assets as 50 years. The net book value of these assets is therefore understated by £5.4 million.

9. **Balance Sheet – Cash and Cash Equivalents** – In producing the school's cash reconciliation, a duplicate journal was posted in processing the schools creditor accruals. As a result, Cash and Cash Equivalents and Short Term Creditors are both overstated by £2.0 million.

Audit differences (continued)

Corrected differences (continued)

10. Balance Sheet - Property, Plant and Equipment – Our internal specialist review of the valuation of the Solar Farm asset (Triangle Solar Park) estimated the Solar Farm asset to have a valuation in the range of £5.0 to £5.5 million. As a result, the balance sheet value of the asset is deemed to be overstated by £4.348 million.

Disclosure Differences

Several disclosure amendments have also been identified in the draft financial statements which Management has chosen to adjust. This includes adjustments to Note 15 - Officers Remuneration (Exit Packages). See Section 4 for more information.

Executive Summary

Areas of audit focus

In our Initial Audit Plan we identified a number of key areas of focus for our audit of the financial statements of Cambridgeshire County Council. 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.

Type of risk	Description	Findings and conclusion
Fraud risk	Management Override: Misstatements due to fraud or error	We have not yet fully completed our work in this area and will provide a verbal update on 1 December 2023.
Fraud Risk	Management Override: Inappropriate Capitalisation of revenue expenditure	We have completed our work in this area and have one matter to report. The Council have recognised £1.0 million of REFCUS expenditure, which relates to 2022/23. Given the nature of this error we do not deem this to be indicative of fraud.
Fraud Risk	Accounting adjustments made in the 'Movement in Reserves Statement'	We have completed our work in this area and have no matters to report.
Significant Risk	Infrastructure Assets	We have completed our work in this area and have two adjustments to report. On review of the useful life used to depreciate Infrastructure Assets, we have deemed that these are being depreciated over a shorter useful life (40 years) than the Council's assessment (50 years). The depreciation charge is therefore overstated, and the carrying value of these assets is understated, by £5.4 million. The Council will also comply with the DLUHC statutory instrument to present Infrastructure Assets on a Net Book Value basis. As a result, we intend to lift our previous Limitation of Scope qualification on this area.
Significant risk	Valuation of Land and Buildings and Investment Properties	We have completed our work in this area and have the following matters to report: • The Fixed Asset Register did not agree to the final valuation schedule provided by Bruton Knowles. The total impact of this is that Property, Plant and Equipment is understated by £2.5 million. • Our review of the valuation of Brunswick House has identified that an incorrect income assumption has been used. However, the Council had not processed this valuation in the asset register. The net impact of these adjustments is £0.1 million. • Our review of the valuation of Fourfield CP School has identified that an incorrect build date and useful life assumption has been used in the valuation. As a result, the balance sheet value of this asset is understated by £1.6 million. • Our specialist has assessed that land values used across the revalued asset portfolio, primarily in the Central Cambridge location, are high and outside of our expected range. As a result, we deem that Property, Plant and Equipment is overstated by £4.2 million. • Our specialist has assessed that the assumptions used in the valuation of farm assets are overly conservative. As a result, we deem that Property, Plant and Equipment is understated by £5.0 million.

Executive Summary

Area of audit focus (continued)

Type of risk	Description	Findings and conclusion
Significant Risk	Recoverability of Long-Term Debtor with This Land Group	We have not yet fully completed our work in this area and will provide a verbal update on 1 December 2023.
Inherent Risk	Valuation of Solar Farm Assets	We have completed our work in this area and have found the value of the operational Solar Farm asset (Triangle Solar Park) to be overstated by £4.3 million.
Inherent Risk	Accounting for Covid-19 related grant funding	We have completed our work in this area and have no matters to report.
Inherent Risk	Accounting for City Deal	We have completed our work in this area and have no matters to report.
Inherent Risk	Pensions Valuations and Other disclosures	We have completed our work in this area and have identified two audit differences to report. As a result of movements in asset valuation, supported by a revised IAS 19 report, we initially identified that the Net Pension Liability is overstated by £4.1 million. Subsequently, the actuary has completed the 2022 Triennial Review, and therefore the Council have obtained a further IAS19 report. This identified that the Net Pension Liability was understated by £9.6 million.
Inherent Risk	Group Accounts	We have not completed our work in this area. We have identified a number of audit differences to the Group Accounts as a result of the audit of This Land Limited's financial statements.
Inherent Risk	Accounting for schools that convert to 'Academy' status	We have completed our work in this area and have no matters to report.
Inherent Risk	Private Finance Initiative	We have completed our work in this area. We have identified an inconsistency in one disclosure note to the underlying models which has been adjusted for in the revised financial statements.
Area of Focus	Going Concern	We have not yet fully completed our work in this area due to the requirement to assess going concern through to a period 12 months post balance sheet date. We will provide a verbal update on 1 December 2023.

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 & Accounts Committee or Management at this time.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have identified that a number of the matters disclosed under the 'significant governance issues' section (Section 3.2) do not reflect significant governance issues and therefore should be included separately within this Statement, if referred to at all.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance and requirements to auditors. We will complete this work in line with the instructions issued by the NAO when it is appropriate to do so. We will not therefore be able to issue our Audit Certificate alongside our Audit Opinion.

Objections

We have received one objection to the 2021/22 Statement of Accounts from a member of the public.

We have assessed this objection, alongside those in respect of the 2018/19, 2019/20 and 2020/21 financial statements.

We have been able to conclude that the nature of the matters raised within the objection do not have an impact on our ability to issue our opinion on the Statement of Accounts. We have performed appropriate audit procedures across the area of financial statements raised within the objection and have gained sufficient appropriate assurance over those areas.

We have issued a 'Statement of Reasons' to the objector on the 3 March 2023, covering all their objections in respect of those financial years set out above.

We concluded that we did not need to exercise any of our auditor powers in relation to the matters raised and we deem those objections to be concluded.

Executive Summary

Control observations

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

However, we would like to draw your attention to the following issues identified through our audit:

- The Council are yet to resolve the findings of our Internal Specialist review of the Minimum Revenue Provision conducted in 2018/19 as a result of capacity constraints.
- The Council are yet to engage a suitable External valuer for the valuation of the Solar Farm Asset. We deem this highly significant given the construction of a second Solar Farm asset (North Angle Solar Park) and recommend that a suitably qualified valuer be appointed by the time this asset becomes operational.
- The Council do not review all historic information on Related Party disclosures and instead perform a year-end exercise with Members. Whilst responses to this exercise have been received, this poses a risk that previously disclosed interests may be missed.
- The Council's Accounts Payable and Accounts Receivable systems are unable to provide a breakdown of the individual transactions that make up the balance on various Debtors and Creditors accounts, and instead are only able to provide the year-on-year movement.
- We have experienced significant delays in respect of responses to our queries on the valuation of Property, Plant and Equipment. The draft financial statements were also published whilst further valuation information was being confirmed with the valuation specialist as a result of delays in this process.
- The Council did not complete the CIPFA Disclosure Checklist at the time of accounts production.
- The Council do not hold a detailed Asset Register for Infrastructure Assets, or Vehicles, Plant and Equipment.

Further details on these observations can be found at section 7 of this report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Fraud 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.

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

What did we do?

We have completed our standard procedures to address the fraud risk, which included:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- Assessing key accounting estimates for evidence of management bias; and
- Evaluating the business rationale for significant unusual transactions.

What are our conclusions?

As reported in our Initial Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified areas were:

- the incorrect capitalisation of revenue expenditure
- accounting adjustments made in the 'Movement in Reserves Statement'

The results of our work on these specific risks are set out on the following two pages.

We are yet to complete our work in this area, as some minor areas of our procedures remain to be concluded. We will provide a verbal update at the committee meeting on 1 December 2023.

Significant risks

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

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

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We have focused on the Council's judgement that an item is capital expenditure in nature. To address this risk we:

- Obtained an analysis of capital additions in the year and reconciled this to the FAR
- Sample tested additions to property, plant and equipment to ensure that they had been correctly classified as capital transactions and included at the correct value;
- Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state; and
- Applied our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

What are our conclusions?

We have completed our work in this area and have one matter to report. Our sample testing of REFCUS identified one transaction which had been incorrectly accrued for in respect of the A14 Project contributions, of £1.000 million. This has not been deemed to be fraudulent mis-reporting as this does not align with our fraud risk and there would be no incentive for the Council to record this transaction in year. This is included in this report as an adjusted difference.

Significant risks - continued

Misstatements due to fraud or error - accounting adjustments made in the 'Movement in Reserves Statement'

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstate accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital grants;
- Depreciation, impairments and revaluation losses; and
- Minimum revenue provision.

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

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We focused on the Council's accounting adjustments made in the movement in reserves statement that could result in the misstatement of cost of services reported in the comprehensive income and expenditure statement. To address this risk we:

- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Reviewed the REFCUS entries in the movement in reserves statement and testing of entries to ensure they meet the accounting definition of REFCUS expenditure;
- Reviewed the Council's policy and application of the 'Minimum Revenue Provision'; and
- Used our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

What are our conclusions?

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

Significant risk - continued

Infrastructure Assets

What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter remains under consideration by CIPFA and the Council hold Infrastructure Assets, with a Net Book Value of £953 million at 31 March 2022.

This issue was the basis for a 'Limitation of Scope' modification to our auditor opinion for the 2020/21 financial year. We have raised a significant risk in this area, as either the 'Limitation of Scope' will continue, or the accounting treatment will need to be reviewed and applied that takes into account any updated guidance from CIPFA, if the Council has sufficient appropriate evidence to support that the principles of any updated accounting guidance.

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

In order to address this risk we undertook the following audit procedures:

- Discussed the matter with the Council as guidance on accounting for Infrastructure Assets is issued by CIPFA;
- Understood the Infrastructure Assets balance and the individual assets comprising this balance; and
- Understood the Council's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.

What are our conclusions?

CIPFA have issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets. In addition, DLUHC have issued a Statutory Instrument (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022). Alongside this code adaptation, the Statutory Instrument allows for the Infrastructure Assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil. The Council will also comply with the DLUHC statutory instrument to present Infrastructure Assets on a Net Book Value basis, and as a result we intend to lift our previous Limitation of Scope qualification on this area.

We also identified that the useful life used to depreciate Infrastructure Assets is shorter (40 years) than the Council's assessment (50 years). The depreciation charge is therefore overstated, and the carrying value of these assets is understated, by £5.4 million. The Council will be adjusting for this misstatement.

Significant risk – continued

Valuation of Property, Plant & Equipment and Investment Properties

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet.

As a result of our work last year we did not identify any material issues with the work of the Council's external valuer.

From planning discussions with management, we have identified that the Council expect to provide revised valuations to us in advance of the audit, following the identification of issues within the valuations held in the draft financial statements.

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

We have identified a specific risk of misstatement that could affect the Balance Sheet. We consider the risk applies to the valuation of Property, Plant and Equipment assets in the Balance Sheet. To address this risk we:

- Considered the work performed by the Council's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base was not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Engaged EY Real Estates to review a review a sample of the valuations, assumptions and conclusions reached by the external valuers; and
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

- Our testing of assets not subject to valuation in 2021/22 did not identify any material differences.
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.
- Our detailed testing of valuations, and the accounting for these valuations, did identify a number of differences, as follows:
    - The Fixed Asset Register did not agree to the final valuation schedule provided by Bruton Knowles. The total impact of this is that Property, Plant and Equipment is understated by £2.5 million. Management intend to correct for this difference.
    - Our review of the valuation of Brunswick House has identified that an incorrect income assumption has been used. However, the Council had not processed this valuation in the asset register. The net impact of these adjustments is £0.1 million.

Significant risk – continued

Valuation of Property, Plant & Equipment and Investment Properties (continued)

What are our conclusions (continued)?

- Our review of the valuation of Fourfield CP School has identified that an incorrect build date and useful life assumption has been used in the valuation. As a result, the balance sheet value of this asset is understated by £1.6 million.
- Our specialist has assessed that land values used across the revalued asset portfolio, primarily in the Central Cambridge location, are high and outside of our expected range. As a result, we deem that Property, Plant and Equipment is overstated by £4.2 million.
- Our specialist has assessed that the assumptions used in the valuation of farm assets are overly conservative. As a result, we deem that Property, Plant and Equipment is understated by £5.0 million.

Significant risk – continued

Recoverability of Long-Term Debtor with This Land Group

What is the risk?

This Land Limited was incorporated in June 2016. The principal activity of the Company is to act as a holding company and a commercial entity whilst the Group oversee the acquisition and development of land and property for subsequent sale. This Land Limited and the This Land Group are a wholly owned subsidiary of the Council. As at 31 March 2022 the Council holds a Long-term Debtor of £113.9 million in the Balance Sheet in relation to the loans issued to This Land Ltd. The loans are repayable between 2026 and 2029.

The current volatility in the housing market could have an impact on the Council's ability to recover the loan in full from This Land Ltd on the repayment dates. Given the material size of the loan we have considered the recoverability of the loan as a significant risk. We would expect the Council to perform a detailed valuation, in line with IFRS 9 – Financial Instruments, of the loan. Considering the recoverability of the loan and whether any expected credit losses should be recognised.

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

We have identified a specific risk of misstatement that could affect the Balance Sheet. We consider the risk applies to the valuation of Long Term Debtor assets in the Balance Sheet. To address this risk we:

- Reviewed the Avison Young 'Shareholder Review of This Land' report commissioned by the Council and assessed the progress of any recommendations made in the report;
- Reviewed the Council's consideration of the valuation and recoverability of the loan to ensure this is reasonable and performed in line with the Code of Practice and the relevant accounting standard (IFRS 9 – Financial Instruments); and
- Engaged with EY Specialist Corporate Finance team to ensure that any judgements or estimates that support the valuation and recoverability have been accounted for in line with the Code of Practice and the relevant accounting standard.

What are our conclusions?

We are yet to complete our work in this area. We will provide a verbal update at the committee meeting on 1 December 2023.

Other Areas of Audit Focus – Inherent Risk

Valuation of Solar Farm Assets

What is the risk?

The Council owns one operational Solar Farm (Triangle Farm) and has one classified as an Asset Under Construction (North Angle). The value of the Solar Farms represent significant balances in the Council's financial statements. Given the complex nature of valuing a Solar Farm, our 2019/20 audit raised recommendations around engaging with a specialist valuer to provide support for the valuation estimate.

The current volatility in the energy market will have an impact on the power price forecasting, which would be a key judgements used in the valuation of the solar farms. The impact of this judgement will potentially be material. As the Council have not had the Solar Farm asset revalued since the 2019/20 financial year, further consideration is required as to why this asset is deemed to be held at a materially correct value.

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

In order to address this risk we undertook the following audit procedures:

- Reviewed management's assessment as to why the Solar Farm assets are considered to be held at a materially correct value;
- Considered the appropriateness of the valuation and classification of the new Solar Farm asset; and
- Employed our internal valuation specialist to consider any changes since their review in 2019/20 of the solar farm valuation at the Balance Sheet date

What are our conclusions?

Our Internal Specialist review of the valuation of the operational Solar Farm asset has estimated the Solar Farm asset to have a valuation in the range of £5.0 to £5.5 million.

As a result, the Balance Sheet value of the asset is deemed to be overstated by £4.348 million. This is a judgmental difference based on estimation techniques, and as such the Council are currently considering whether to adjust for this audit difference. See Section 4 for more information – Unadjusted Audit Differences.

Other Areas of Audit Focus - Inherent Risk

Accounting for Covid-19 related Government grants

What is the risk?

In response to the COVID-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.

Given the volume of these grants, including new grants for 2021/22, with new conditions for the Council to understand the accounting impact of, there is an inherent risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

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

We have identified a specific risk that impacts the grant income within the net cost of services and taxation and non specific grant income in the comprehensive income and expenditure statement. In order to address this risk we undertook the following audit procedures:

- Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body; and
- Reviewed the instructions and conditions of each grant that we were testing to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants.

What are our conclusions?

We have completed our work in respect of Accounting for Covid-19 related Government Grants and have no matters to report.

Other Areas of Audit Focus - Inherent Risk

Accounting for City Deal Funding

What is the risk?

In 2020/21 Greater Cambridge Partnership were awarded the next tranche of funding for the City Deal. This amounts to £200 million over five years. The Council amended the accounting treatment for this grant within the audited 2020/21 accounts following our audit procedures and discussions.

Given the accounting treatment has remained the same in 2021/22, we have lowered this risk to an inherent risk in 2021/22, given the material nature and complexity of the funding, to ensure that this approach remains appropriate to the conditions and requirements of the grant.

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

We have identified a specific risk that impacts the Grant Income within Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement and Receivables on the Balance Sheet. In order to address this risk we are performing the following audit procedures:

- Ensured the consistency of accounting treatment with current year was consistent with the accounting treatment in 2020/21; and
- Considered whether there have been any changes to the conditions and/or substance of the funding that would impact that accounting treatment.

What are our conclusions?

We have completed our work in respect of Accounting for City Deal Funding and have no matters to report.

Other Areas of Audit Focus – Inherent Risk

Pension Liability Valuation & other pension disclosures

What is the risk?

The Local Authority Accounting Code of Practice and IAS 19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body and the Fire Fighters Pension Scheme. The Council's Pension Scheme is a material and sensitive item and the Code requires that the liability be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement.

At 31 March 2022 the Net Pension Liability totalled £547 million. The information disclosed is based on the IAS 19 reports issued to the Council by the actuary to the administering body.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

We have identified a specific risk of misstatement that could affect the balance sheet. We consider the risk applies to the valuation of the Pension Liability in the Balance Sheet and supporting disclosure notes. To address this risk we:

- Liaised with the auditor of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council;
- Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

What are our conclusions?

- We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.
- We have agreed the Council's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.
- We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Council's Pension Fund Liability was overstated by £4.1 million. Management have decided to adjust for this audit difference. See Section 4 for more information – Adjusted Audit Differences.
- A national issue emerged in relation to the potential impact of the latest Pension Fund Triennial Valuation on the Pension Liability at the 31 March 2022. Management obtained a further updated IAS 19 Report, which took into account the assumptions used within the Triennial Valuation process. We reviewed the underlying assumptions used within the Triennial Valuation report for reasonableness, and were able to gain assurance that assumptions used remained within our range expectations. The assumptions used within the Triennial valuation approach had the impact of increasing the Council's net Pension Liability by £9.6 million. Management have made this adjustment within the revised financial statements.

Other Areas of Audit Focus – Inherent Risk

Group Accounts

What is the risk?

The County Council is the sole and ultimate owner of all parts of the subsidiary 'This Land Ltd' Group. This is consolidated into the group accounts of the Council. We have raised this as an area of inherent risk, to ensure the consolidation process is robust and because we need to gain a number of assurances from the component auditor (RSM LLP) of This Land Ltd.

What did we do and What judgements are we focused on?

We have identified a specific risk in regards to the group accounts. To address this risk, we:

- Liaised with the auditors of the group entities to obtain assurances over the information supplied in the consolidation pack to Cambridgeshire County Council;
- Reviewed the consolidation adjustments made by the Council; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to the Group Accounts.

What are our conclusions?

We have completed our work in respect of the Group Accounts.

As a result we have raised an adjustment in respect of the findings of the audit of This Land Group. These adjustments were not reflected in the results of This Land Limited at the time of the initial consolidation, but are to be reflected in the financial statements. This has the impact of reducing Gross Expenditure by £2.572 million, Gross Income by £3.239 million, and increasing Financing and Investment Income by £0.815 million. This also increases the Inventory balance in the Group Accounts by £0.148 million.

Other Areas of Audit Focus – Inherent Risk

Accounting for Academy School Transfers

What is the risk?

Schools continue to convert to academy status, albeit at a lower rate, given previous conversions. However, this continues to have implications for the treatment of the schools' balances in the financial statements, with the most significant relating to Property, Plant and Equipment, which are invariably material given the nature of the asset class.

What did we do and What judgements are we focused on?

We focused on the Council's recognition of schools transferring to academy status during the period and the removal of associated transactions, balances and assets. To address this risk we:

- Reviewed the arrangements for agreeing with the school assets, liabilities and balances for transfers; and
- Reviewed how the transfers have been accounted for, including reconciling the schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year and Department for Education records.

What are our conclusions?

- Our review of the arrangements for agreeing School Assets, Liabilities and balances for transfers did not identify any omissions; and
- Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.

Other Areas of Audit Focus - continued

Private Finance Initiative - PFI

What is the risk?

The Council operate three material PFI's which are long term private funded schemes.

The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments

What did we do and What judgements are we focused on?

We have identified a specific risk that could affect the balance sheet. We consider the risk to apply to the PFI liabilities disclosed within the statement of accounts. To address this risk:

- We have performed testing to ensure that in year payments included in the PFI models are accurate and correctly accounted;
- We have confirmed consistency of the PFI models to the financial statements; and
- Compared the PFI models to those we reviewed during 2020/21. Where changes have been identified we may be required to engage EY specialists to perform a review of the models.

What are our conclusions?

Our testing confirmed the models have been accurately and correctly accounted for.

We identified one inconsistency within the disclosures in 'Note 36 - Private Finance Initiatives' and the underlying accounting models, which the Council had reflected in the comparative figures. However, given the amounts are not material this should be reflected as an in-year adjustment. This has no impact on the core statements. Differences.

We have reviewed the models and have not identified any matters which require reporting to you.

Areas of Audit Focus

Going concern

<u>Going Concern</u>

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. The going concern period should cover 12 months post the opinion signing date, so is to cover up to 31 March 2024, and consider the latest information available to the Council.

Our approach has focused on:
- Assessing the adequacy of disclosures required in 2021/22;
- Discussing with management the going concern assessment and challenging management's underlying assumptions; and
- Considering the impact on our audit report, including completing any internal consultation requirements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.

Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.

Our work on Going Concern will need to be updated, to consider a period 12 months post the final signing date of our opinion. We will provide an update to the Audit and Accounts Committee with our findings once the work is finalised.

03 Audit Report

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Our proposed opinion on the financial statements

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

Opinion

We have audited the financial statements of Cambridgeshire County Council (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 41 to the Authority financial statements, and
- the related notes 1 to 9 to the Group financial statements

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 financial statements:
- give a true and fair view of the financial position of Cambridgeshire County Council and the Group as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly 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. We are independent of the Authority and Group 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.

Our proposed opinion on the financial statements

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 Group and the Authority's ability to continue as a going concern for a period of 12 months from when the 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 and Group's ability to continue as a going concern.

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:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Authority
- 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)

DRAFT

Our proposed opinion on the financial statements

- 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 Responsibilities, Certificate and Approval of Accounts' set out on page 37, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the 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 and for such internal control as the Chief Finance Officer determines 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 Group and the Authority'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 Group and the Authority either intends to cease operations, or has no realistic alternative but to do so.
The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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.

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 both those charged with governance of the entity and management.

DRAFT

Our proposed opinion on the financial statements

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and Health & Safety.

We understood how Cambridgeshire County Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Management, the Head of Internal Audit, those charged with governance and the Monitoring Officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Group and Authority's committee minutes, Group and Authority 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 had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Group and Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure, inappropriate accounting adjustments made in the 'Movement in Reserves Statement' and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Group and Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of inappropriate accounting adjustment made in the 'Movement in Reserves Statement' we tested Revenue Expenditure Funded from Capital Under Statute (REFCUS), capital grants, depreciation, impairments and revaluation losses, capital expenditure funded by revenue, and minimum revenue provision to ensure that transactions were appropriate and the 'Movement in Reserves Statement' was fairly stated.

Audit Report

Our proposed opinion on the financial statements

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements.
In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our procedures on the Authority's value for money arrangements for the year ended 31 March 2022, as the Authority has not yet received its conclusion in relation to the arrangements in place for the year ended 31 March 2019, 31 March 2020 or 31 March 2021 due to previous delays with the value for money conclusion in respect of the year ended 31 March 2018.

We are satisfied that this work does not have a material effect on the financial statements. We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception. Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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 Group and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight misstatements greater than £0.985 million which have been corrected by management that were identified during the audit.

- **Balance Sheet - Net Pension Liability –** The Council received a revised IAS19 Actuary report – which changed the value of the pension plan assets. This had the result of reducing the net pension liability by £4.1 million. The adjustment was made due to new information being provided by the Actuary after the draft statement of accounts had been prepared.
- **Balance Sheet – Net Pension Liability** – Updated information became available during the audit following the completion of the Pension Fund Triennial Valuation. The difference is a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at 31 March 2022. The Net Pension Fund Liability was understated by £9.6 million. Note: this corrected difference is in addition to the corrected difference set out above (total increase in liability £5.5 million.
- **Group Accounts –** The audit of This Land Limited identified overstatements of Income and Expenditure due to incorrect Income recognition. These adjustments were not reflected in the results of This Land Limited at the time of the initial group consolidation, but are to be reflected in the revised financial statements. This impacts the Group accounts only, and has the impact of reducing Gross Expenditure by £2.572 million, Gross Income by £3.239 million, and increasing Financing and Investment Income by £0.815 million. It also increases the Inventory balance in the Group accounts by £0.148 million.
- **Comprehensive Income and Expenditure Statement – REFCUS –** The Council have recognised £1.0 million of REFCUS expenditure in 2021/22, however this expenditure was not incurred until 2022/23. REFCUS and Creditors are therefore both overstated by £1.0 million.
- **Balance Sheet – Property, Plant and Equipment –** The Council have incorrectly classified a leased out rental unit as an Operational Land & Buildings asset, when this should be classified as an Investment Property. Property, Plant and Equipment is therefore overstated, and Investment Property is understated by £2.4 million.
- **Balance Sheet – Property, Plant and Equipment –** The Fixed Asset Register did not agree to the final valuation schedule provided by Bruton Knowles. As a result, Property, Plant and Equipment is understated by £4.1 million. A further two assets were later identified as not reflected in this adjustment, where the balance was overstated by £1.6 million. The net impact of this is that Property, Plant and Equipment is understated by £2.5 million.
- **Comprehensive Income and Expenditure Statement – Audit Fees –** The Council have under accrued for audit fees in respect of previous audit years. As a result, expenditure and creditors are equally understated by £0.2 million.
- **Balance Sheet – Property, Plant and Equipment –** The Council's depreciation for Infrastructure Assets has been calculated with a 40 year useful life, compared to an assessment of the useful life of these assets as 50 years. The net book value of these assets is therefore understated by £5.4 million.
- **Balance Sheet – Cash and Cash Equivalents –** In producing the school's cash reconciliation, a duplicate journal was posted in processing the schools creditor accruals. As a result, Cash and Cash Equivalents and Short Term Creditors are both overstated by £2.0 million.
- **Balance Sheet - Property, Plant and Equipment –** Our internal specialist review of the valuation of the Solar Farm asset (Triangle Solar Park) estimated the Solar Farm asset to have a valuation in the range of £5.0 to £5.5 million. As a result, the balance sheet value of the asset is deemed to be overstated by £4.348 million.

Disclosure Differences

A limited number of disclosure amendments have also been identified in the draft financial statements which Management has chosen to adjust. This includes adjustments to Note 15 - Officers Remuneration (Exit Packages). These relate to minor changes to individual packages based on a small number of errors and omissions in the draft accounts, which amends the total payments made from £0.575 million to £0.611 million.

Audit Differences

Summary of Unadjusted differences

At the date of this report, we have identified a number of audit differences which are yet to be adjusted.

- **Balance Sheet – Investment Properties –** Our review of the valuation of Brunswick House has identified that an incorrect income assumption has been used. As a result, the balance sheet value of the asset is overstated by £4.6 million. However, the Council had not processed this valuation in the asset register, and therefore the asset register was initially understated by £4.7 million. The net impact of these adjustments is £0.1 million, hence the Council have elected not to adjust.
- **Balance Sheet – Investment Properties –** Our specialist review of the valuation of Investment Properties has identified two properties which fall below our specialist's valuation range. As a result, the balance sheet value of these two assets is deemed to be understated by £3.4 million.
- **Balance Sheet – Property, Plant and Equipment –** Our review of the valuation of Fourfield CP School has identified that an incorrect build date and useful life assumption has been used in the valuation. As a result, the balance sheet value of this asset is understated by £1.6 million.
- **Balance Sheet and Comprehensive Income & Expenditure Statement - Revenue Expenditure Funded from Capital Under Statute (REFCUS) –** Costs have been accrued in respect of REFCUS contributions to the A14 development project, however delays to the project have meant that any costs were not incurred until 2022/23. REFCUS and short term creditors are overstated by £1.000 million.
- **Balance Sheet - Provisions –** We identified a difference between the Insurance Broker's report and the value of the Insurance Provision in the Statement of Accounts. The Provisions balance in the Balance Sheet is overstated by £1.418 million. We understand that this difference arose due to the Insurance Broker's report being received after the Statement of Accounts were drafted for publication. Management have chosen not to adjust for this difference.
- **Balance Sheet – Creditors –** We have identified that a previously recognised error in respect of HMRC creditors is yet to be corrected. We understand that this remains a work in progress by management to quantify the final balance. We have raised an uncorrected difference where creditors are understated by £2.4 million.
- **Balance Sheet – Property, Plant and Equipment –** Our specialist has assessed that land values used across the revalued asset portfolio, primarily in the Central Cambridge location, are high and outside of our expected range. As a result, we deem that Property, Plant and Equipment is overstated by £4.2 million.
- **Balance Sheet – Property, Plant and Equipment –** Our specialist has assessed that the assumptions used in the valuation of farm assets are overly conservative. As a result, we deem that Property, Plant and Equipment is understated by £5.0 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.

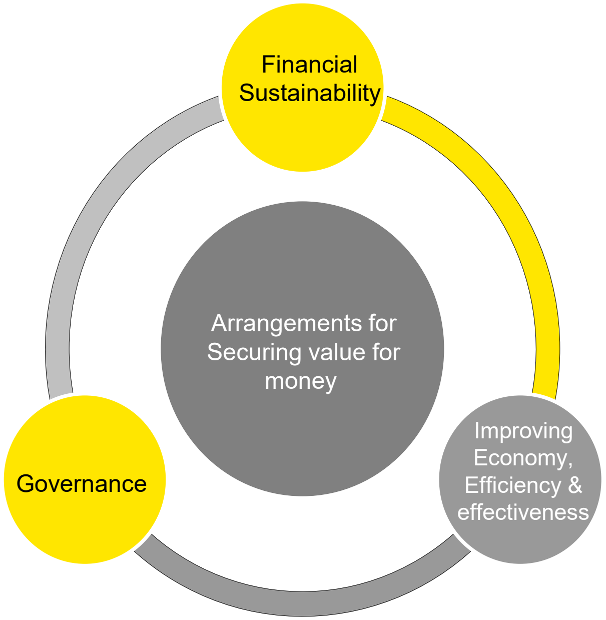
05 Value for Money

Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.



Risk assessment

We have communicated initial considerations as part of our formal risk assessment within our Initial Audit Plan dated 08 September 2022. We are yet to conclude on this risk assessment.

Status of our VFM work

We have yet to complete our detailed VFM planning. The predecessor audit has only recently concluded on their 2017/18 Value for Money Conclusion.

Whilst we have commenced our 2018/19, 2019/20 and 2020/21 Value for Money work we have not yet concluded on that work. We have not commenced our VFM risk assessment for 2021/22 at the time of this Provisional Audit Results Report. We will update a future Audit and Accounts Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.

06 Other reporting issues

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 Narrative Report with the audited financial statements.
We are completing our consistency review of financial information in the Narrative Report and published with the financial statements to that included with the audited financial statements. We will provide an update at the committee on 9 February 2023.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We have identified that a number of the matters disclosed under the 'significant governance issues' (Section 3.2) do not reflect significant governance issues and therefore should be included separately within this Statement.

We have not identified any other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As the Authority falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the require Assurance Statement to the NAO confirming this. We therefore have no matters to report to you.

Other reporting issues

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 Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have received one objection to the 2021/22 accounts from a member of the public. We issued our Statement of Reasons in respect of this objection on 3 March 2023. We concluded that we did not need to exercise our auditor powers in respect of any of the matters raised within the 2021/22 objection.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have not identified any issues and have not had course to use this duty to the date of this report.

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 Council's financial reporting process. They include the following:

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

We have reported in respect of going concern and related parties earlier in this report. We have no other matters to report.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Cambridgeshire County Council 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 Cambridgeshire County Council 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.

However, we would like to draw your attention to the following identified through our audit:

Minimum Revenue Provision

We reported in our 2018/19 Audit Results Report – Addendum update, that work undertaken by our internal specialist over the Minimum Revenue Provision concluded that amounts charged in the 2018/19 Statement of Accounts were materially correct but the review identified a number of areas of improvement. We recommended within that report that the Council address these areas in the 2019/20 Statement of Accounts. Whilst the Council have addressed a number of these recommendations, a number of our recommendations remain unaddressed in the 2021/22 Statement of Accounts.

Recommendation: We recommend that the Council implements the findings from our 2018/19 specialist review of the Council's Minimum Revenue Provision so that non-trivial cumulative audit differences do not occur in future audit periods.

Solar Farm Valuations

We reported in our 2019/20 Audit Results Report – Addendum update that the valuation methodology applied to the solar farm asset did not follow standard valuation practice as it was valued using a simplistic high-level future income approach. Whilst this is a discounted cash flow methodology, this type of asset is complex to value and requires detailed forecast information on power pricing, renewable obligation certificate revenues, discount rates and inflation. We discussed with management the need to engage a suitable valuation specialist to value this asset. This had not been undertaken in preparation of the 2021/22 Statement of Accounts.

Recommendation: We recommend that the Council engages an external valuer, with appropriate qualifications and experience, to value their Solar Farm assets so that non-trivial valuation differences are not identified in future periods.

Assessment of Control Environment

Financial controls

Related Party Disclosures

The Council do not review all historic information on related party disclosures and instead perform a year-end data collection exercise with Members. Whilst responses to this exercise have all been received, there is a risk that previously disclosed interests may be missed from the disclosure and consideration. Our work on related party disclosures remains in progress, linked to this additional consideration.

Recommendation: We recommend that the Council consolidates online member interest declarations and maintains these in one register. The Council should then perform an assessment of whether each relationship constitutes a potential related party in line with the Code of Practice and potential disclosure in the Statement of Accounts.

Accounts Payable and Accounts Receivable

The Council's Accounts Payable and Accounts Receivable systems are unable to provide a breakdown of the individual transactions that make up the balance on various debtors and creditors accounts, and instead are only able to provide the year-on-year movement.

Recommendation: We recommend that the Council reviews and cleanses the Accounts Payable and Accounts Receivable balances such that cumulative opening balances are not rolled forward into the following period. The balances that are rolled forward into the following period should be done so at an invoice and supplier level.

Delays in respect of property valuations

We have experienced significant delays in respect of responses to our queries on the valuation of Property, Plant and Equipment. The draft financial statements were also published, whilst further valuation information was being confirmed with the valuation specialist, as a result of delays in this process.

Recommendation: We recommend that the Council ensures all Property, Plant and Equipment valuations are concluded in a timely manner so that they can be included in the future draft statement of accounts before their authorisation. We also recommend that any external valuer is engaged to respond to audit queries in a timely manner.

CIPFA Disclosure Checklist

The Council did not complete the CIPFA Disclosure Checklist at the time of draft financial statements production. This provides a useful tool for the Council to check consistency with the CIPFA Code of Practice requirements, and is also a starting point for audit procedures in respect of the compliance with the Code of Practice.

Recommendation: We recommend that the Council completes a full CIPFA Disclosure Checklist in advance of authorising future draft statement of accounts to demonstrate that the accounts are compliant with the CIPFA Code of Practice for that period.

Financial controls

Fixed Asset Register

The Council do not hold a detailed Asset Register for Infrastructure Assets, or Vehicles, Plant and Equipment.

Recommendation: We recommend that the Council implements a detailed asset register for Infrastructure Assets and Vehicles Plant and Equipment to ensure these assets can be clearly evidenced and adjustments for impairment or other changes to the assets can be easily recorded.

08 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 Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, 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 you have paid to us in 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 in the next page. Further detail of all fees has been provided to the Audit and Accounts Committee.

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 2023

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 2023:

EY UK 2023 Transparency Report | EY UK

Independence

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
Initial Scale Fee – Code work	72,427	72,427	72,427
2020/21 – Determined Scale Fee Variation	-	-	58,743 (Note 1)
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	53,915 Note 2		
2021/22 Additional Procedures required in response to the additional risks identified in this Audit Plan and other areas of additional work (see Note 2)	Note 2		
2021/22 Objection consideration work	Note 3		
Revised Fee	**TBC**	**72,427**	**131,170**

All fees exclude VAT

Note 1 – PSAA Ltd determined the Fee Variation on 4 January 2023.
Note 2 – For 2021/22, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2020/21, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards, as we set out in our Audit Results Report. This fee will be uplifted to reflect the current year fee rates published by PSAA Ltd.

In addition, for 2021/22, we have had to perform additional audit procedures to respond to the financial reporting and associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA 540, as well as new risks outlined within our Audit Plan and Audit Results Report. The additional fee for 2021/22 will be discussed with management once the audit is complete and will then be subject to determination by PSAA Ltd. This will include additional fees in respect of the misstatements identified and the control findings raised.

Note 3 – We have been required to undertake additional work, outside of the Scale Fee, in relation to the objection raised by a Member of the Public, including seeking appropriate external legal advice. We have notified both Management and PSAA Ltd of this matter and approach.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

09 Appendices

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.

Balance sheet category	Current Year Audit Approach	Prior Year Audit Approach	Explanation for change
▸ Property, Plant and Equipment ▸ Investment Property ▸ Intangible Assets ▸ Long term & short term investments ▸ Cash and cash equivalents ▸ Short and long term borrowings ▸ PFI liability (short and long term) ▸ Heritage Assets ▸ Liability related to Defined Benefit Pension Scheme ▸ Useable and unusable reserves ▸ Long and Short term debtors ▸ Short term creditors ▸ Other Long Term Liabilities - deferred liabilities ▸ Long and short term provisions ▸ Capital Grants Receipts in Advance	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
▸ Inventories ▸ Assets held for sale	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
3 August 2022	Meeting	The Audit Senior Manager and Audit Manager met with the Chief Financial Officer to discuss the audit strategy and likely audit risk.
29 September 2022	Report	The Audit Partner meet with the Audit and Accounts Committee and senior members of the management team to present the Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held by the Audit Manager with the Finance Team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout October to February.
Various dates in November 2022 and January 2023	Meeting	The Audit Partner and Audit Manager held a call with the Chief Financial Officer and his Deputy to discuss the audit progress and findings to date.
24 November 2022 and 9 February 2023	Meeting	The Audit Partner met with the Audit and Accounts Committee and senior members of the management team and provided an update on the progress and status of the audit.
3 February 2023	Report	The Audit Partner had correspondence about initial audit findings with the Chief Financial Officer.
9 February 2023	Meeting/Report	The Audit Partner and Audit Manager met with the Audit and Accounts Committee and senior members of the management team to discuss the Provisional Audit Results Report (ISA260).
11 September 2023	Meeting	The Audit Partner and Audit Manager held a call with the finance team to provide an update on progress and status of the audit.
13 November 2023	Meeting	The Audit Manager held a call with the finance team to investigate the position of outstanding audit requests.
1 December 2023	Meeting	The Audit Manager met with the Audit and Accounts Committee and senior members of the management team and provided an update on the progress and status of the audit.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit and Accounts Committee

There are certain communications that we must provide to the Audit and Accounts Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the 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.	Audit Plan – 8 September 2022 presented to the Audit and Accounts Committee on 29 September 2022
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – 8 September 2022 presented to the Audit and Accounts Committee on 29 September 2022
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023

Appendix C – continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Major Local Audits	For the audits of financial statements of major local audits our written communications to the Audit and Accounts Committee include: ▸ A declaration of independence ▸ The identity of each key audit partner ▸ The use of non-member firms or external specialists and confirmation of their independence ▸ The nature and frequency of communications ▸ A description of the scope and timing of the audit ▸ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▸ Materiality ▸ Any going concern issues identified ▸ Any significant deficiencies in internal control identified and whether they have been resolved by management ▸ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Accounts Committee ▸ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▸ The valuation methods used and any changes to these including first year audits ▸ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▸ The completeness of documentation and explanations received ▸ Any significant difficulties encountered in the course of the audit ▸ Any significant matters discussed with management ▸ Any other matters considered significant	Audit Plan – 8 September 2022 presented to the Audit and Accounts Committee on 29 September 2022 Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023

Appendix C – continued

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Subsequent events	▸ Enquiry of the Audit and Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Fraud	▸ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Council any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility.	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023

Appendix C – continued

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Council's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – 8 September 2022 presented to the Audit and Accounts Committee on 29 September 2022 Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023

Appendix C – continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	We have received all confirmations.
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ 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	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023

Appendix C – continued

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023 VFM Commentary / Auditor's Annual Report – To be determined.
Fee Reporting	▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan – 8 September 2022 presented to the Audit and Accounts Committee on 29 September 2022 Audit Results Report - presented to the Audit and Accounts Committee on 9 February 2023 and 1 December 2023 Auditor's Annual Report – To be determined.

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
Cash and Borrowings	Outstanding queries related to schools cash balances.	Management
Long Term Debtors	Management to provide assessment of the valuation of the This Land Long Term Debtor	Management
PPE – Other Procedures	Management to provide consideration of the VPE balance and the valuation of the disposal of one asset	Management
Short Term Debtors – existence and credit items	Management to provide conclusion on the VAT debtor balance.	Management
Going Concern	Queries with management in regards to cash flow forecasting	Management
Whole of government accounts procedures	NAO instructions to be received, reviewed and procedures performed and submission made.	EY and management
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2021/22 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

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. A draft of the current opinion is included in Section 3.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

Building a better working world

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INVESTOR IN PEOPLE

Tom Kelly
Chief Finance Officer
Cambridgeshire County Council
New Shire Hall
Emery Crescent
Enterprise Campus
Alconbury Weald
Huntingdon PE28 4YE

2 February 2023

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Tom,

Cambridgeshire County Group and Council – 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 Group and Council.

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 County Group and Council ("the Group and Council") 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 position of the Group and Council as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Building a better working world

2

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent 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 ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council 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. You have approved the Group and Council financial statements.

3. That the significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.

4. As members of management of the Group and Council, you believe that the Group and Council 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. 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 our system of internal controls.

5. That you believe that the effects of any unadjusted audit differences, summarised in our 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.

   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.

6. 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.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

3

B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Group and Council'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 our assessment of the risk that the Group and Council financial statements may be materially misstated as a result of fraud.

4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:

   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council'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 Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. 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 as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. 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

3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 9 February 2023.

4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Council financial statements.

5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

6. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. 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 Group and Council financial statements.

2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Group and Council financial statements (please specify the Notes) all guarantees that you have given to third parties.

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.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

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5

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts and Annual Governance Statement 2021-22.

2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.

2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Group and Council.

I. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note 2 to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

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6

K. Reserves

1. You have properly recorded or disclosed in the Group and Council financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Group and Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.

4. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 pandemic.

6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council 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.

Appendix E – Request for a Management Representation Letter

Request for a Management Representation Letter

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3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

5. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events, including due to the Covid-19 Pandemic.

N. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

3. You confirm that entities excluded from the Group financial statements are immaterial on a quantitative and qualitative basis.

4. That you have appropriately considered the recoverability of the working capital loans provided to This Land Ltd and any impairment of the carrying value of those loans is appropriately reflected within the financial statement.

O. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit & Accounts Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Partner
Ernst & Young LLP
United Kingdom

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Audit and Accounts Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2024. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Councill will be fully compliance with the 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	Management should: ▸ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▸ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▸ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The Council needs to agree on certain policy choices. In particular: ▸ Whether to adopt a portfolio approach ▸ What low value threshold to set and agree with auditors ▸ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▸ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

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Agenda Item No. 8

Internal Audit Progress Report

To: Audit & Accounts Committee

Meeting Date: 1st December 2023

From: Mairead Claydon, Head of Internal Audit and Risk Management

Electoral division(s): All

Outcome: 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. The outcome of this report is to provide an update on the main areas of audit coverage for the period to 31st October 2023 and to present a revised Internal Audit Plan 2023/24.

Recommendation: Audit & Accounts Committee is requested to review the proposed revised Internal Audit Plan for 2023/24, outlined at Section 6 of the report.

Officer contact:
Name: Mairead Claydon
Post: Head of Internal Audit & Risk Management
Email: Mairead.Claydon@cambridgeshire.gov.uk
Tel: 01223 715542

1. Purpose

1.1 To report on the main areas of audit coverage for the period to 31st October 2023.

1.2 Audit and Accounts Committee is requested to review and comment on the proposed revised Internal Audit Plan for 2023/24, 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; and the 'flexible' plan, i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process.

2.3 More information on this approach is available at Section 6 of the main report, which presents the proposed flexible Audit Plan for 2023/24.

3. Outstanding Audit Actions

3.1 Annex B details 96 outstanding audit recommendations as at 31st October 2023. Narrative updates on actions where the current target date is after 31st October 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 currently one outstanding 'Essential' recommendation, within IT & Digital Services. This recommendation relates to the Council re-obtaining Public Services Network (PSN) certification.

3.3 See Section 7 of the report for more details.

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 and the National Fraud Initiative.

4.2 Section 9.4 of the report highlights plans for the annual staff whistleblowing survey to be conducted in November/December 2023, in preparation for the

Annual Whistleblowing Report which will go to the next meeting of Audit & Accounts Committee in February.

4.3 Additionally, as part of the annual review of the Whistleblowing Policy, Internal Audit has committed to undertake a benchmarking self-assessment exercise with Protect, the whistleblowing charity. This is a self-assessment that the Council can conduct against a detailed set of whistleblowing standards covering Governance, Staff Engagement, and Operations. The Council's responses are then benchmarked against other similar organisations and a report is produced to outline an improvement plan to further strengthen the whistleblowing environment.

5. Audit Forward Planning

5.1 Section 6 of the Progress Report provides the revised and updated Internal Audit Plan for 2023/24, for comment and challenge by Audit & Accounts Committee. Members of the Committee are invited to review and comment on the proposed plan.

6. Key Financial Systems

6.1 Section 10 of the Progress Report provides an update on the delivery of the Internal Audit reviews key financial systems.

6.2 An audit report has now been delivered by West Northamptonshire Council (WNC) on Payroll for 2022/23. The Payroll report gives a 'satisfactory' assurance opinion for both the control environment and compliance with controls for payroll. The report identifies that the most significant factor contributing to this audit opinion related to issues within the processes around payroll control account reconciliations, particularly in relation to standardised operating procedures, record-keeping arrangements, the quality assurance process, and clearance of unreconciled items. A number of key actions to address identified risks were agreed with management following the audit.

6.3 It is noted that the compliance opinion provided was based upon a single "walkthrough" test of each key control process within payroll (i.e. starters, leavers, variations, overtime payments etc.). This restricted sample size reduces the opportunity for the auditors to identify non-compliance or inconsistency in the operation of key controls, and may therefore reduce the amount of reliance that should be placed upon the compliance assurance opinion given.

6.4 See Section 10 of the report for more information.

Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 31st October 2023

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: 2023/24

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 2023/24

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 first three quarters of the 2023/24 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**
Substantial Assurance	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

Good Assurance	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.
Moderate Assurance	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.
Limited Assurance	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.
No Assurance	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.

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

3 FINALISED ASSIGNMENTS

3.1 Since the last Internal Audit Report in **July 2023**, the following audit assignments have reached completion, as set out below in Table 1.

Table 1: Finalised Assignments

No.	Directorate	Assignment	Systems Assurance	Compliance Assurance	Organisational impact	Audit Actions Agreed			
						Essential	High	Medium	Advisory
1.	Finance & Resources	ICT Incident & Problem Management	Good	Limited	Minor	0	0	7	0
2.	Finance & Resources	Shared Service Payroll	Satisfactory	Satisfactory	Minor	2	7[1]		1
3.	Schools	Fen Drayton Primary School	Moderate	Moderate	N/A	N/A[2]			
4.	Schools	Orchard Park Primary School	Good	Good	N/A	N/A			
5.	Place & Sustainability	Disabled Facilities Grant	Grant reviewed and certified.						
6.	Place & Sustainability	Basic Needs Funding	Grant reviewed and certified.						

[1] N.B. The Payroll report was produced by West Northamptonshire Council who have three risk ratings for actions: Essential, Important and Standard. The 'essential' and 'standard' ratings are equivalent to CCC's 'essential' and 'advisory' ratings, and we have reflected the 'important' rating as spanning CCC's 'high' and 'medium' categories.

[2] Individual recommendations within individual schools reports are not risk rated and are not followed up individually by Internal Audit. An action plan to respond to the audit findings is agreed with the school and presented to Governors. Thematic findings are then incorporated into the overarching schools audit report issued to the Director of Education, and recommendations within the overarching report are then risk rated and followed up by audit as usual.

3.2 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) which have been issued as final since our last Progress Report in September 2023 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.	Strategy & Partnerships	Pathfinder Legal Services
2.	Place & Sustainability	Climate Change & Environment Strategy
3.	Finance & Resources	Electronic Records Management
4.	Place & Sustainability	Case 125 Legal Procurement
5.	Children, Education & Families	Case 126 Transport Contracts
6.	Adults, Health & Commissioning	Case 127 Supported Living
7.	Children, Education & Families	Bewick Bridge Primary School
8.	Children, Education & Families	Huntingdon Primary School
9.	Children, Education & Families	Castle School
10.	Children, Education & Families	Huntingdon Nursery School
11.	Children, Education & Families	Meridian Primary School

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 ICT INCIDENT & PROBLEM MANAGEMENT

4.1.1 An audit was completed of ICT incident and problem management. Incident management and problem management are two separate processes within IT services:

- Incident management is the process of managing individual unplanned IT service disruptions/interruptions and restoring services to normal as quickly as possible.

- Problem management is a wider process, which aims to prevent incidents from occurring and minimise the impact of incidents that cannot be prevented, by analysing root causes of incidents and putting in place longer-term fixed to underlying problems.

4.1.2 The audit review gave a 'good' opinion for the system of control in place, but a 'limited' opinion over compliance with the system. The primary finding from this audit was that while the ICT service have a documented problem management process, this has not yet been implemented in practice by the service; this is the primary reason for the limited compliance opinion.

4.1.3 As the service's documented problem management processes have not been implemented, problems are instead dealt with in an ad-hoc manner and not logged, prioritised or managed in line with procedures. Accordingly, there is a risk that problems may not be effectively identified, recorded, prioritised and resolved/resolved in a timely and effective manner. The Council's incident management application, Hornbill, can link incidents together to create a problem record/log, but this function is not currently being used. Following the audit, the ICT service agreed a range of actions to update problem management processes and implement them in practice, with a target date of the end of December 2023.

4.1.4 With regards to incident management, there were clear, documented incident procedures in place. These procedures including incident logging, prioritisation and other key areas, and in general the audit found good compliance with incident management processes in practice. The audit recommended that the service develop a more detailed major incident response plan with a detailed process for prioritising systems and sites to be restored, should multiple critical systems/sites be affected by a major incident, and the service confirmed this will be completed by the end of December 2023.

INTERNAL AUDIT ACTIVITY

5.1 EXTERNAL AUDIT

5.1.1 The Internal Audit team has continued to provide information and documents to support the Council's external auditors EY in their work on the 2018/19 to 2021/22 Value for Money opinions for Cambridgeshire County Council, as well as supporting the provision of initial information for the incoming external auditors KPMG.

5.2 STAFFING, RESOURCE & RECRUITMENT

5.2.1 Following a procurement via the Crown Commercial Services framework, the Internal Audit team has awarded a contract to TIAA Ltd, for a 'co-sourcing' arrangement to supplement the team's internal resource with additional audit resource. TIAA Ltd have started work to deliver four audits to CCC, reviewing S106 Funding; Procurement Governance; Rental Income and the Multi-Agency Safeguarding Hub.

5.2.2 After completing a recruitment campaign, the Internal Audit team has made an appointment to the role of Senior Auditor. The new member of the team will be joining the Council from January. Although they currently have no prior experience of internal audit, they have committed to studying the Certified Internal Auditor qualification with the Institute of Internal Auditors.

5.2.3 During October and November 2023, the team have also been conducting a recruitment to the Deputy Head of Internal Audit post. A further update will be brought in the next Audit Progress Report.

5.3 SCHOOLS AUDITS

5.3.1 Since September, the Internal Audit team has been undertaking a programme of school finance audits. The entire sample of seven schools have now been visited, all of which have had draft reports issued, and two of these reports have now been issued as final. Common themes identifies this year include a lack of in-system approval by a second officer for individual payroll amendments which increases the risk of payroll fraud; documents such as signed contracts being lost when staff leave due to being held only in emails; and schools having asset registers which have not been updated since their creation, reducing their scope for use as evidence in the event of an insurance claim.

5.3.2 An overarching thematic schools audit report will be issued shortly, bringing together these findings and any overarching recommendations for the Council, as well as areas of good practice identified through the school visits which can be shared more widely.

5.3.2 In addition to the programme of audit visits to schools, Internal Audit is undertaking a desktop review of schools who are expected to submit a Deficit Recovery Plan to the Council, meaning they are forecasting an end-of-year budget deficit of 5% or over. This review aims to assess the situation that these schools are in at this point in the financial year, and how Deficit Recovery Plans are being put in place, with support from the Council.

5.4 PUBLIC SECTOR INTERNAL AUDIT STANDARDS

5.4.1 Internal Audit practice at Cambridgeshire County Council is bound by the UK Public Sector Internal Auditing Standards (PSIAS), which in turn are based on the International Professional Practices Framework (IPPF) developed by the Institute of Internal Auditors (IIA). The PSIAS interpret the requirements of PSIAS for the UK public sector context.

5.4.2 The International Internal Auditing Standards Board (IIASB) has been in the process of undertaking a fundamental review of the IIA framework, with consultation taking place throughout 2023. The final version of the new Global Internal Audit Standards is expected to be released digitally in January 2024, with the Standards becoming effective 12 months from the release date, in 2025. Based on the draft Standards released for comment, it is expected that the new Standards will include more focus on the public sector, compared to the previous Standards.

5.4.3 The UK's Internal Audit Standards Advisory Board (IASAB) has confirmed they will undertake a review of PSIAS against the new global standards when they are released. Any subsequent changes to the UK's PSIAS, and their implementation, will then be subject to consultation and appropriate transitional arrangements.

5.4.4 Cambridgeshire's Internal Audit team underwent an external review against the current PSIAS in 2022/23, which found that the team was compliant with PSIAS. It was initially agreed with Committee that a further external review would be undertaken in 2023/24. However, given the expected changes to the global standards and the likely impact of this on the PSIAS, the Head of Internal Audit & Risk Management is proposing that an external review should instead be undertaken in late 2024/25, as this would have the benefit of being able to scrutinise and provide additional assurance over the team's planning for implementation of the new standards.

5.4.5 The team would instead undertake a self-assessment against PSIAS in 2023/24 to provide assurance over compliance with the current standards. This is in line with PSIAS requirements, which mandate an external review once every five years.

5.5 ADVICE & GUIDANCE:

5.4.1 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 and when required. Some of the key areas of support provided since the previous Progress Report include:

- The Head of Internal Audit & Risk Management has been attending Directorate Management Team meetings alongside the Monitoring Officer and Head of Procurement, to raise awareness of the Council's Contract Procedure Rules and the importance of compliance with the rules when making purchases.

- Reviewing draft financial guidance for officers involved in the management of service user finances.

- Providing information for the Chief Finance Officer's Assurance Statement on the use of Dedicated Schools Grant.

- Responding to Freedom of Information requests.

6. AUDIT FORWARD PLANNING: 2023/24

6.1 Core audit work is progressing in line with the agreed Audit Plan 2023/24, following on from the significant rephasing of the Plan that was reported in July 2023. 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 2023/4 – Q3 2024/5) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. This reflects the usual approach of the team to plan four quarters ahead on a rolling basis. These are new jobs proposed to commence in the period, i.e. ongoing work is not included, as this is reflected in Annex A.

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.

Table 5: Proposed 'Flexible' Internal Audit Plan (Next Four Quarters):

Audit	Directorate	Category	Days	Why
Current Proposed Flexible Internal Audit Plan for Q4 2023/24:			**155**	
Quality Assurance in Childrens Social Care	Children's	Safeguarding	25	Review of quality assurance arrangements in Children's to ensuring that key safeguarding risks are mitigated through appropriate monitoring of practice.
Lifestyle Services Contract	Public Health	Procurement & Commissioning	30	A review of this key contract with an annual value of £3.1m across Cambridgeshire and Peterborough.
Council Owned Companies	Finance & Resources	Governance	20	High level review of the governance of Council owned companies to provide assurance that the risks associated with these companies are managed appropriately.
Adults Directorate Business Planning Review & Challenge	Adults	Value For Money	20	Review to provide constructive challenge to Business Planning proposals considering the robustness of plans, sustainability of savings and the risks that they mitigate/create.
Project Management Framework and Project Assurance	Strategy & Partnerships	Project Management & Transformation	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.

LD Supplier Resilience Reviews	Adults	Business Continuity	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.
Mosaic System Uploads, Data Integrity and Key Controls	Adults	ICT and Information Governance	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 and uploads.
Current Proposed Flexible Internal Audit Plan for Q1 2024/25:			**165**	
Budget Setting and Demand Forecasting	Finance & Resources	Financial Governance	20	Review of processes for forecasting high demand demographically-driven budgets to ensure processes are robust and budget setting is accurate.
Capital Programme Projects Assurance	Place & Sustainability	Project Management & Transformation	20	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.
Late Payments in Commissioning	Adults	Financial Governance	15	Review to provide assurance over processes in place to ensure timely payment of social care providers.
Investment Properties	Finance & Resources	Value For Money	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.
Business Planning	Strategy & Partnerships	Financial Governance	30	Review of governance, compliance, management and monitoring, lessons learned and benefits realisation.
Early Years Funding Process	Children's	Value For Money	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely and accurate and there are appropriate controls in place to reduce the risk of fraud.
ICT Procurement	Finance & Resources	Procurement & Commissioning	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.
Health & Safety in Place & Sustainability	Place & Sustainability	Safeguarding	20	Review of controls and compliance for key health and safety considerations in P&S Directorate including how management obtains assurance that key controls are met

Current Proposed Flexible Internal Audit Plan for Q2 2024/25:			**160**	
Inspection Programmes & Trading Standards	Finance & Resources	Value For Money	20	Review of Trading Standards service to affirm value for money is achieved.
Contract Price Variations	Finance & Resources	Procurement & Commissioning	20	Sample testing for compliance with the Council's guidelines for agreeing price variations in contracts, to provide assurance that cost increases are controlled appropriately
Passenger Transport Services	Children's	Procurement & Commissioning	20	Review of the Council's passenger transport services covering how services are planned and commissioned and the monitoring frameworks in place to ensure that suppliers deliver in line with the Council's requirements.
Direct Payments	Adults	Financial Governance	20	Review of direct payments policies and procedures and compliance with procedures in practice, to provide assurance that direct payments are managed in a way that safeguards public funds and ensures that they achieve best value.
Social Care Debt	Adults	Financial Governance	20	Reviewing Council management of social care debt.
Projects Assurance (Non-Capital)	Strategy & Partnerships	Project Management & Transformation	40	Provision of assurance over a sample of key non-capital projects and review of the efficacy of extant assurance processes.
Contract Management - Minor Works Framework	Finance & Resources	Procurement & Commissioning	20	Review of Minor Works Framework contract with an estimated annual value of £8m.
Current Proposed Flexible Internal Audit Plan for Q3 2024/25:			**170**	
ICT Strategy	Finance & Resources	ICT and Information Governance	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.
Contract Management Policies & Compliance	Finance & Resources	Procurement & Commissioning	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. High impact area.
Asset Management Strategy	Finance & Resources	Value For Money	20	Review of the Council's asset management strategy to provide assurance that the Council's assets are managed to deliver value for money.
ICT Disaster Recovery	Finance & Resources	ICT and Information Governance	20	Review of ICT disaster recovery planning and testing.
Adult Social Care Finance	Adults	Financial Governance	20	Assurance over the policies and processes in place within the Adults Social Care Finance team, with a particular focus on reviewing invoicing , cost recovery and the link to debt management.
Contract Management - Supported Living	Adults	Procurement & Commissioning	20	Review of the Supported Living framework contract with an annual estimated value of £22.6m
Cambridgeshire County Council Client Monitoring Arrangements for This Land Ltd	Finance & Resources	Governance	20	A review to provide comprehensive follow-up on findings and implementation of actions following the review of This Land Ltd in 2019/20.
Contract Management - Integrated Sexual Health and Contraception Service	Public Health	Procurement & Commissioning	30	Review of this major contract with an estimated annual value of £4.1m

7. *FOLLOW UP OF AGREED AUDIT ACTIONS*

7.1 OVERVIEW OF FOLLOW UPS

7.1.1 The outstanding management actions from Internal Audit reports as at 31st October 2023 are summarised in table 7 below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

7.1.2 Internal Audit reporting on closed recommendations includes recommendations that have been closed in the previous 12 months as at the reporting date. This provides a more accurate up to date position regarding the implementation of recommendations and ensures that recommendations closed more than a year ago do not skew the statistics to give a falsely positive impression.

Table 7: 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**
Implemented	1 (1)	0.56% (0.63%)	20 (20)	11.11% (12.58%)	63 (68)	35.00% (44.77%)	84 (89)	46.67% (55.97%)
Actions due within last 3 months, but not implemented	0 (0)	0.00% (0.00%)	5 (7)	2.78% (4.40%)	29 (12)	16.11% (7.55%)	34 (19)	18.89% (11.95%)
Actions due over 3 months ago, but not implemented	1 (1)	0.55% (0.63%)	11 (7)	6.11% (4.40%)	27 (20)	15.00% (12.58%)	39 (28)	21.67% (17.61%)
Capital Programme Actions[3] due over 3 months ago, but not implemented	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	23 (23)	12.78% (14.47%)	23 (23)	12.78% (14.47%)

[3] These 23 actions related to a single audit review of capital project management. Internal Audit is currently conducting a full follow-up audit of these; as such further updates on implementation will not be provided until the audit is complete. The completion of this review has been delayed this year, initially due to the officer working on the review leaving the team, and subsequently in autumn 2023 by the need to divert resource from this review to deal with a high priority whistleblowing review. The audit team are seeking to complete this as soon as possible.

Totals	**2**		**36**		**142**		**180**	

7.1.3 There are currently 96 management actions outstanding. Further detail on outstanding actions is provided at Annex B. This is a significant increase from the 71 outstanding recommendations in the last audit progress report (as at 31.8.23). It is noted that 35 actions from 10 audit reports had due dates in September/October 2023 and therefore became due in the current round of reporting.

7.1.4 For future cycles of Committee reporting, rather than Internal Audit staff chasing individual updates on actions, the implementation of actions will be monitored and reported within Directorates. Executive Assistants will maintain a list of audit actions and updates and request monthly updates, which will be reviewed at Directorate Management Team meetings before being passed on to Internal Audit. This will increase senior management oversight of action implementation and allow the Internal Audit team to focus resource on reviewing the evidence for implementation of actions, once they are reported to be complete.

7.1.5 There is currently one outstanding 'Essential' recommendation:

- This passed its target date at the end of November 2021. This relates to the Light Touch ICT Security Health check review issued in May 2021, which identified that the Council's Public Sector Network (PSN) Certification had lapsed. The Council's ICT Service has been preparing to apply for re-certification throughout 2023, with regular updates provided to the Audit & Accounts Committee. The Service has confirmed that the PSN application was submitted to the Cabinet Office on 18 October 2023. The service then provided a response to clarification questions from the Cabinet Office on 15 November 2023. The Council is now awaiting a response, which is expected by the end of November and hope to have the application confirmed shortly after.

7.1.6 One recommendation from the 2022/23 VAT audit has been closed as unimplemented. The recommendation was concerned with reviewing invoices in relation to the Council's car lease scheme to ensure the correct VAT was applied. The Head of Finance confirmed to Internal Audit that the VAT involved would be minimal and that the resources required to review individual invoices would be disproportionate. The Section 151 Officer also confirmed that he was satisfied with the Head of Finance's conclusion on this matter and confirmed that the recommendation could be closed.

7.1.7 Table 8, below shows the number of outstanding recommendations in each directorate.

Table 8: Outstanding Actions By Directorate

<table>
<tr><th colspan="2">Directorate</th><th>Outstanding recommendations</th></tr>
<tr><td colspan="2">Children's</td><td>9</td></tr>
<tr><td colspan="2">Adults, Health and Commissioning</td><td>4</td></tr>
<tr><td rowspan="2">Place and Sustainability</td><td>Capital Programme (see footnote 3)</td><td>23</td></tr>
<tr><td>Other</td><td>0</td></tr>
<tr><td rowspan="2">Finance and Resources Directorate</td><td>Key Financial Systems</td><td>7</td></tr>
<tr><td>Other</td><td>40</td></tr>
<tr><td colspan="2">Public Health</td><td>2</td></tr>
<tr><td colspan="2">Strategy and Partnerships</td><td>11</td></tr>
</table>

7.2 PUBLIC HEALTH OPEN BOOK CONTRACT MANAGEMENT

7.2.1 At the previous meeting of this Committee, two outstanding audit actions from within the Public Health directorate were discussed. These actions related to implementing ‘open book’ contract monitoring provisions which are written into two existing contracts within Public Health.

7.2.2 The concept of ‘open book’ contract management builds on the practice of ‘open book’ accounting within public contracts:

- **Open Book Accounting** – A provision within the contract which ensures that the provider’s financial records relating to the service(s) provided are made available to the contracting authority. This includes all material data and information including staff costs, resources used, overhead calculations, payments to sub-contractors and providers, profit margins etc. etc. The use of this approach allows the contracting authority to verify that they are being charged a fair and accurate price for the service that is actually being delivered.

- **Open Book Contract Management** - Using the information provided through open book accounting alongside operational and performance data to promote collaborative contract management behaviour between the supplier and the contracting authority in order to achieve: a fair price for the supplier; value for money for the contracting authority; and performance improvement for both over the contract life. It provides a basis to be able to review performance, agree the impact of change and to bring forward ideas for efficiency improvements.

7.2.3 The Open Book Contract Management approach is recommended by the Chartered Institute of Public Finance & Accountancy as representing best practice in managing all major public contracts, to maximise the value obtained.

Specifically within the health and care sector, under NHS England guidance, Integrated Care Systems (ICSs) are required to have in place a System Collaboration and Financial Management Agreement (SCFMA) which requires open book accounting and financial transparency between its partner organisations.

7.2.4 In two previous audits of contracts within the Public Health Directorate, Internal Audit noted that although the wording of the contract included the right for the Council to undertake open book review of provider costs to enable an open book approach to contract management, there was no evidence that these rights had been used by the service or that an open book approach was being taken by contract managers. In both instances, actions were agreed with the service to implement open book monitoring practices within these contracts. The wording of the actions is set out below:

- **Healthy Child Programme Contract Audit** – Recommendation 6 – Quarterly Open Book Monitoring Against New Pricing Schedule: "Once a detailed Pricing Schedule has been developed for the contract, the Public Health team should implement quarterly open-book monitoring against the pricing schedule. This should include a detailed breakdown of actual costs incurred by the providers, with this information being reviewed and challenged by the Authority. The service should also ensure the year-end reconciliation of reported costs to actuals takes place in line with the Section 75 Agreement document." [Target Implementation Date: 30th June 2023]

- **Integrated Drug & Alcohol Contract Audit** – Recommendation 8 – Budget Variances Are Not Reconciled to Prime Cost Evidence: "Public Health should alter financial monitoring so that, for budget variances as uncovered in the review of SMS reporting within quarterly contract monitoring meetings, are reconciled to prime evidence, as allowed by clauses 34.1 and 34.2 of the contract. This represents a shift to more open book financial reporting. To assist with this, Public Health should utilise the detailed pricing schedule which includes a detailed list of allowable costs against each pricing element. This pricing schedule can be the basis for challenge in contract monitoring meetings allowing for efficient detection of budget variances. It will also allow the council to distinguish costs that should be absorbed by CGL. If the Service considers this unfeasible, they should consult with the Head of Diligence and Best Value for advice and guidance on how to implement a more open book financial reporting approach." [Target Implementation Date: 30th January 2023]

7.2.5 In both instances, the actions are currently outstanding for implementation. Internal Audit reported to the September meeting of this Committee that a discussion regarding open book accounting had been held at the Procurement Governance Board, and that the Public Health Directorate were exploring how to enhance the expertise within their service to implement an open book approach within these and other contracts. It was confirmed that a detailed update on progress would be sought from the Director of Public Health and brought back to this Committee.

7.2.6 On the 31st October, the Director of Public Health, the Deputy Director of Public Health, the Head of Procurement and Commercial and the Head of Internal Audit & Risk Management met to discuss these actions and open book contract management more generally.

7.2.7 The Director of Public Health noted that some NHS providers have expressed discontent at having to supply prime records to the Council despite this being a provision of the contract, which is a continuing challenge for the directorate to manage. Capacity is also an issue within Public Health due to staff turnover and the need for staff with sufficient expertise in open book contract management. Additionally, the open book provisions within the contracts are currently quite general, rather than being specific about a particular open book approach will be implemented. As a result, in order to implement these recommendations, that the commissioners for these contracts will need to conduct a risk assessment and identify an appropriate, detailed approach to open book contract management.

7.2.8 It was agreed that Commissioners within the Public Health Directorate should undertake formal training on open book contract management to help implement the approach throughout the directorate. It was also agreed that the service would report their plans for rolling out training to Procurement Governance Board, to identify whether other commissioning services may also wish to send staff on the training. In that case, it may be possible to arrange a larger-scale corporate training session which may be more cost-efficient and allow more staff to benefit from the training.

7.2.9 The Head of Procurement and Commercial noted that the Council's Commercial team have just opened a new Contract Management Teams channel to share best practice and it may be possible to use the channel to share information on open book approaches to contract management.

7.2.10 The audit recommendations regarding implementation of open book contract management within the two contracts highlighted above will therefore not be implemented until after this training has been rolled out to Commissioners. The Director of Public Health confirmed a revised target date for implementation of these actions is therefore 30th April 2024.

8.0 *RISK MANAGEMENT*

8.1 A full update on Risk Management activity is provided in the separate report on the Corporate Risk Register.

9 *FRAUD AND CORRUPTION UPDATE*

9.1 FRAUD INVESTIGATIONS

9.1.1 The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 31st October 2023, Internal Audit has received 20 whistleblowing referrals in the 2023/24 financial year, a few more than the number of referrals received by the same point in 2022/23 (14 cases). There are no open cases which have been carried forward from 2022/23.

Table 9. Current Internal Audit Investigations Caseload

All Cases Reported in 2023/24 *To Date*		**Open**	**Closed**	**Total**
Fraud and Theft	Conflict of Interest	2	1	3
	Council Officer Fraud	2	1	3
	Third Party Fraud	0	2	2
	Health and safety	1	0	1
	Theft	1	1	2
Governance	Internal Governance Issue	3	0	3
	Schools Governance	0	1	1
Grievance/Bullying	Staff Conduct/Grievance	0	1	1
Safeguarding and Health & Safety	Safeguarding	1	3	4
Total		**10**	**10**	**20**

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)** – Internal Audit is currently collaborating with HR colleagues to investigate two cases relating to conflicts of interest involving people working for CCC.

- **Safeguarding (1 open case)** – One case of safeguarding concerns raised by a member of the public is currently open, which is being investigated by Children’s Social Care.

- **Internal Governance (3 open cases)** – Internal Audit are currently investigating three cases of internal governance concerns. In two instances, a draft report has been issued, and a summary of the outcomes of the investigations and agreed actions will be brought to Audit & Accounts Committee as part of the next Progress Report, once they have been issued as final. In the remaining case, initial work undertaken suggests there are no serious concerns but Internal Audit continue to investigate.

- **Theft (1 open case)** – Internal Audit is currently investigating one case relating to the possibility of theft. A draft report has been issued, and a summary of the outcome of the investigation and agreed actions will be brought to the next Audit & Accounts Committee.

- **Council Officer Fraud (2 open cases)** – Internal Audit is currently investigating two cases of alleged fraud involving people employed by CCC, in conjunction with HR colleagues.

- **Health and Safety (1 open case)** – Internal Audit is currently investigating one whistleblowing report which relates to Health and Safety. This case is being investigated by the relevant service, with support from Internal Audit.

9.2 WHISTLEBLOWING, ANTI-FRAUD AND ANTI-MONEY LAUNDERING E-LEARNING

9.2.1 Following the implementation of the new Anti-Fraud and Corruption Policy and new Anti-Money Laundering Policy which both came into force in 2022, Internal Audit is undertaking, in conjunction with the Learning and Development team, to create two e-learning modules to support the embedding of these new policies for both existing and new staff.

9.2.2 Following the update provided in September’s report, creation of these e-learning modules is still underway. A full draft of the Anti-Money Laundering training module is now complete and has been shared with the Learning & Development team to progress development, while the Whistleblowing & Anti-Fraud training module is still being drafted. Progress has been hindered by resourcing issues in Internal Audit, which have resulted in a scarcity of time to work on the modules in light of priority audit work.

9.3 NATIONAL FRAUD INITIATIVE (NFI)

9.3.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud.

9.3.2 The current exercise commenced in September 2022 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2023. The total number of matches for CCC as at January 2023 was 4,200 across 34 reports which have a high or medium risk rating, depending on the nature of the data. The NFI released an extra data set recently regarding residential parking permits, therefore the total number of matches is now 4,229 across 35 reports.

9.3.3 As at October 2023, 1,838 matches have been reviewed and cleared resulting in £1,462.46 identified to recover. This sum relates to pension payments made to a deceased person and the Pension Team Leader (West Northamptonshire) is progressing these cases. The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid. 250 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £162,500.00 for these.

9.4 WHISTLEBLOWING ANNUAL REPORT

9.4.1 The Internal Audit & Risk Management team conducts an annual whistleblowing survey of CCC officers, usually in late August/early September, to inform the Council's Annual Whistleblowing Report. This year, the timing of the whistleblowing survey was deferred at the request of CLT, so as to not conflict with the main employee survey being conducted in September. The survey is being conducted in November/early December instead.

9.4.2 The Annual Whistleblowing Report will therefore be brought to the February 2024 meeting of the Audit & Accounts Committee. The report will include an update on the findings of the survey; information on whistleblowing activity; and a review of the Whistleblowing Policy.

9.4.3 Following the previous review of the Whistleblowing Policy at the Audit & Accounts Committee meeting in November 2022, the Chief Executive suggested that at the next annual review, the Council should consider engaging an external organisation such as Protect (a whistleblowing charity, formerly Public Concern At Work) to contribute to the review.

9.4.4 As a result, as part of the annual review of the Whistleblowing Policy, the Internal Audit team will facilitate completion of Protect's 'Whistleblowing Benchmark'. This is a self-assessment that the Council can conduct against a detailed set of whistleblowing standards covering Governance, Staff Engagement, and Operations. The Council's responses are then benchmarked against other similar organisations and a report is produced to outline an improvement plan to further strengthen the whistleblowing environment. The outcomes of this process will be reported to this Committee in February 2024.

10 *KEY FINANCIAL SYSTEMS UPDATE*

10.1 2022/23 KEY FINANCIAL SYSTEMS AUDITS

10.1.1 The Lead Authority Board agreed in August that for the 2022/23 financial year, Cambridgeshire's Internal Audit team would continue to deliver the Accounts Payable, Income Processing and Debt Recovery audits for the Lead Authority partners, in line with the approach taken in previous years. West Northamptonshire's Internal Audit team were due to deliver Payroll, Pensions and an IT Access Controls audit. The outcomes of the Administration of the Pension Fund audit were reported to the September 2023 meeting of the Audit & Accounts Committee.

10.1.2 The 2022/23 Payroll audit report has now been delivered to Cambridgeshire County Council. The Payroll audit gave an opinion of "satisfactory" assurance for both the control environment and compliance. This is equivalent to the CCC 'moderate' assurance rating, indicating that there are control weaknesses that present a medium risk to the control environment, and that controls mainly operated as intended although errors were detected that should have been prevented / mitigated.

10.1.3 The main conclusions within the report identified that the most significant factor contributing to this audit opinion related to issues within the processes around payroll control account reconciliations, particularly in relation to standardised operating procedures, record-keeping arrangements, the quality assurance process, and clearance of unreconciled items. A number of key actions to address identified risks were agreed with management following the audit.

10.1.4 It is noted that the compliance opinion provided was based upon a single "walkthrough" test of each key control process within payroll (i.e. starters, leavers, variations, overtime payments etc.). This restricted sample size reduces the opportunity for the auditors to identify non-compliance or inconsistency in the operation of key controls, and may therefore reduce the amount of reliance that should be placed upon the compliance assurance opinion given.

10.1.5 The implementation of actions identified as part of the 2022/23 Payroll audit will be reviewed as part of the 2023/4 Payroll audit which will be undertaken by the Cambridgeshire audit team (see below).

10.2 2023/24 KEY FINANCIAL SYSTEMS AUDITS

10.2.1 The Head of Internal Audit & Risk Management attended a meeting of the Lead Authority Board on the 25th October 2023, alongside the other Heads of Audit from the Lead Authorities. It was agreed at the meeting that Cambridgeshire will deliver the internal audits of the Pensions and Payroll systems in 2023/24, while

West Northamptonshire will deliver the audits of Income Processing and Debt Recovery, and North Northamptonshire will deliver the audit of Accounts Payable.

10.2.2 The Cambridgeshire team has therefore commenced planning for the Pensions and Payroll audits. At the time of writing, the Terms of Reference for the Payroll audit has been issued, with the Pensions Terms of Reference currently in draft, and the team have begun booking in initial walkthrough testing for key controls within the Payroll system.

Annex A

Internal Audit Plan Progress 2023/24

Progress to 31st October 2023 with the core Internal Audit Plan 2023/24 and the agreed Q1 – Q3 'flexible' plan, on the basis of individual reviews completed, is summarised as follows:

Audit Plan 23/24 Progress In-Year		
Total Completed & Closed Reviews	19	21%
Ongoing Work (i.e. which will not 'close' until the end of the financial year)	19	21%
Draft Report Issued	11	12%
Fieldwork In Progress	18	20%
Reviews at Terms of Reference (ToR) stage and before	9	10%
23/24 Planned reviews yet to start	15	16%
Reviews on hold/paused at Director request	0	0%

Detail of the agreed Core and Q1 – Q3 'flexible' Internal Audit Plan 2023/24, including progress to 31st October 2023, is provided below:

AUDIT TITLE	Directorate	TYPE OF WORK	PROGRESS
Client Funds & Deputyships	F&R	Audit	Complete
Schools Capital Programme	Childrens	Audit	Fieldwork
Street Lighting PFI Variations	P&S	Audit	Complete
Pathfinder Legal Services	S&P	Audit	Draft Report
Climate Change & Environment Strategy	P&S	Audit	Draft Report
FOI and SAR	S&P	Audit	Complete
ICT Incident & Problem Management	F&R	Audit	Complete
Capital Project Management	P&S	Audit	Fieldwork
ICT Security	F&R	Audit	Complete
ICT Records Management	F&R	Audit	Draft Report
Review of draft Financial Regulations	F&R	Audit	Not started
Estate Health & Safety Inspections	F&R	Audit	Fieldwork
Dedicated Schools Grant Safety Valve	Childrens	Audit	Fieldwork
Safe Employment	CCC	Audit	Fieldwork
Asset Valuations for Statement of Accounts	F&R	Audit	Fieldwork
Establishment Control	F&R	Audit	Fieldwork
Grants to Voluntary Organisations Policy & Compliance	CCC	Audit	Fieldwork
Childrens Social Care Placements	Childrens	Audit	Not started
Rental Income	F&R	Audit	Terms of Reference
Section 106 Funding	P&S	Audit	Terms of Reference
Business Continuity Planning	S&P	Audit	Fieldwork

Multi Agency Safeguarding Hub	Childrens	Audit	Terms of Reference
Supporting Families	Childrens	Grant	N/A
Local Transport Capital Block Funding (Highways Maintenance)	P&S	Grant	Complete
Pothole and Challenge Fund	P&S	Grant	Complete
Disabled Facilities Grant	CCC	Grant	Complete
A14 Grant	P&S	Grant	Complete
Basic Needs Funding	Childrens	Grant	Complete
Procurement Governance	F&R	Audit	Terms of Reference
Procurement Compliance	F&R	Audit	Fieldwork
Waste PFI Review Support	P&S	Support	Ongoing
Lifestyle Services Contract	Public Health	Audit	Fieldwork
Waivers & Direct Awards Compliance	F&R	Audit	Fieldwork
Street Lighting PFI Contract	P&S	Audit	Fieldwork
Management of Consultants	S&P	Audit	Fieldwork
OPUS People Services & Interims	S&P	Audit	Fieldwork
Energy Contract	P&S	Audit	Terms of Reference
Treasury Management	F&R	Audit	Complete
Payroll	F&R	Audit	Terms of Reference
Pensions	F&R	Audit	Terms of Reference
National Fraud Initiative	CCC	Support	N/A
Fraud Investigations Review Process	CCC	Investigations	N/A
Case 111 - Conflict of Interest	F&R	Investigations	Complete
Case 118 – Interims	Childrens	Investigations	Complete
Case 125 – Legal Procurement	P&S	Investigations	Draft Report
Case 126 – Contracts Backlog	Childrens	Investigations	Draft Report
Case 127 – Supported Living	Adults	Investigations	Draft Report
Pro-active Counter Fraud Work	CCC	Investigations	N/A
Development of Anti-Fraud & Corruption Strategy	CCC	Investigations	Ongoing
Counter Fraud Training	CCC	Investigations	N/A
FACT/HACT Follow Up	CCC	Investigations	N/A
Council Tax NFI Project	CCC	Investigations	N/A
Whistleblowing Policy Annual Review	CCC	Investigations	Not Started
Schools Assurance Auditing	Childrens	Audit	Fieldwork
Fen Drayton Primary School	Childrens	Audit	Complete
Orchard Park Primary School	Childrens	Audit	Complete
Bewick Bridge Primary School	Childrens	Audit	Draft Report
Huntingdon Primary School	Childrens	Audit	Draft Report
Castle School	Childrens	Audit	Draft Report
Huntingdon Nursery School	Childrens	Audit	Draft Report
Meridiam Primary School	Childrens	Audit	Draft Report
Desktop Deficity Recovery Plans review	Childrens	Audit	Fieldwork
Information Management Board	S&P	Support	N/A

Annual Governance Statement/Code of Corporate Governance	CCC	Support	Complete
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Support	Not Started
Corporate Key Performance Indicator Framework	CCC	Audit	Fieldwork
Annual Key Policies & Procedures Review	CCC	Audit	Complete
Annual Assurance on Risk Management	CCC	Audit	Complete
Risk Assurance Reviews	CCC	Risk Management	N/A
Development of Risk Strategy	CCC	Risk Management	Draft Report
Risk Management	CCC	Risk Management	N/A
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 31.10.2023).

Audit	**Risk level**	**Summary of Recommendation**	**Target Date**	**Status**
Essential Recommendations overdue - over 3 months				
ICT Light Touch Security	E	A target date for CCC re-obtaining PSN certification is agreed and JMT is kept updated of progress towards this target. In view of management's comments on the draft report, we recommend two separate target dates be agreed: • 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 • 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.	30/11/2021	The IT Service has confirmed that the Public Sector Network application was submitted to the Cabinet Office on 18 October 2023. The Cabinet Office asked some clarification questions, and the service responded to these on 15 November 2023. The service are awaiting a response, which is expected by the end of November, and hope to have the application confirmed shortly after. Revised target date: 31 December 2023
Essential Recommendations overdue - under 3 months				
There are no 'essential' recommendations overdue by under 3 months.				
High Recommendations overdue - over 3 months				

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	The Head of Procurement & Commercial previously confirmed that the data for this is now being collected through the new e-form for approving consultancy spend. Information on approved spend will be part of the standard reporting on consultancy and agency spend. Revised target date: 01 December 2023
Healthy Child Programme	H	Once a detailed Pricing Schedule has been developed for the contract, the Public Health team should implement quarterly open-book monitoring against the pricing schedule. This should include a detailed breakdown of actual costs incurred by the providers, with this information being reviewed and challenged by the Authority. The service should also ensure the year-end reconciliation of reported costs to actuals takes place in line with the Section 75 Agreement document.	30/06/2023	See detailed update in Internal Audit Progress Report, Section 7.2. Revised target date: 30th April 2024
Integrated Drugs and Alcohol Treatment System Contract	H	Public Health should alter financial monitoring so that, for budget variances as uncovered in the review of SMS reporting within quarterly contract monitoring meetings, are reconciled to prime evidence, as allowed by clauses 34.1 and 34.2 of the contract. This represents a shift to more open book financial reporting. To assist with this Public Health should utilise the detailed pricing schedule which includes a detailed list of allowable costs against each pricing element. This pricing schedule can be the basis for challenge in contract monitoring meetings allowing for efficient detection of budget variances. It will also allow the council to distinguish costs that should be absorbed by CGL. If the Service considers this unfeasible, they should consult with the Head of Diligence and Best Value for	30/01/2023	See detailed update in Internal Audit Progress Report, Section 7.2. Revised target date: 30th April 2024

		advice and guidance on how to implement a more open book financial reporting approach.		
Fire Risk Assessments	H	The Property Compliance Team, Estates and Facilities Management should ensure that a review is undertaken to identify a definitive list of all properties for which the Council is required to undertake FRA's. If any such properties identified have not had an FRA in the last three years, the Property Compliance Team Manager should ensure that a FRA is undertaken as a matter of priority.	31/03/2023	The service confirmed the property lists have been reviewed and the definitive 'list' has been created as part of the data entry and data verification processes as part of the new Concerto property database. Once cleansed and verified this will provide the definitive schedule of properties in which CCC has an interest that the property function is aware of. Estimated completion for this is 30 October 2023. Under Corporate Landlord, a further exercise is required to identify property interests taken outside of corporate property processes (I.e. those properties not known or notified to CCC Property). This requires a review of all services across the council and all risks relating to these sites sit with the appropriate services or functions. Estimated completion date 31 March 2024, subject to additional staff resourcing being provided. Revised target date: 31 March 2024
Direct Payments Consolidated Report	H	Internal Audit has consulted with staff in social care, Finance and Debt Recovery and drafted a proposed Direct Payments Fraud and Misuse Policy, attached as Appendix A. The Executive Director of People Services and the Service Director of Finance & Procurement should review this policy, make any amendments, and adopt the policy on behalf of the Council. Once the policy is adopted, it should be communicated to staff in social care and finance, alongside an awareness-raising exercise through the Council's internal corporate communication channels.	30/04/2023	The Head of Financial Operations has confirmed that the draft Direct Payments Fraud and Misuse Policy is in the process of being reviewed, with feedback being provided to clarify the policy or strengthen associated documents such as Direct Payment Agreement templates. After this, the policy will be recirculated through the Practice, Governance and Standards Board. It will then be run past Safeguarding for them to check it is compliant with all relevant requirements, before seeking the final approval at Executive Director for Adults, Health and Commissioning (DASS) and S151 Level. Revised target date: 01 February 2024

Government Procurement cards (GPC)	H	The GPC team should carry out proportionate monthly monitoring of GPC expenditure. Responsibility for review of transactions and dormant accounts review should be delegated from the Head of Finance to the GPC team. This would bring GPC team activities in line with the guidance provided by RBS and supports the Council's management of key risks. Review of monthly transactions should identify for further review and investigation: • high value transactions • high value cardholders • prohibited spend categories • unapproved transactions • undeclared vat on spend categories that should be vatable • cardholders/approvers who are not reviewing or approving. Focused review in these areas should ensure high value transactions and non-compliant activity are identified, investigated, and escalated if necessary. Outcomes should be documented within the newly established compliance log to inform a regular compliance report to be shared with the Head of Finance for information. If a review of all expenditure is not practical, regular spot checks should be conducted in the above categories to provide ongoing assurances.	01/07/2023	The service has stated that monthly reviews of data by the Finance team are taking place, but this has not yet been formalised as a set, defined process. The service will be putting in place more systematic monthly processes for an analytical review of transactions. Internal Audit have requested evidence of the current process in place. Once provided, this will be reviewed to assess whether this action can be closed. Revised target date: TBC
Government Procurement cards (GPC)	H	Clear guidance to schools on GPC use should be developed. This should include clear guidelines regarding prohibited categories of expenditure and requirements to review and approve spend. This could be the same as the CCC standard GPC guidance document, or a separate document if it is believed this is required to suit school's needs. Once agreed, a copy should be circulated to all maintained schools and	01/08/2023	The service has confirmed the GPC Team are working on developing guidance for schools regarding the use of school GPC cards. Revised target date: 31 December 2023

		should be shared when schools apply for new GPC or to change a cardholder/approver		
Transparency Code	H	An Information Management Strategy (or equivalent) should be produced to establish how information should be produced and published. It should include: • A clear process for key officers to check that all required datasets are published correctly and on time ensuring compliance that the information is published quarterly and annually. • A timetable for key officers to get in touch with service contacts who own the datasets, to remind them that publication is due in advance of deadlines. • Guidance for ensuring if any delayed or absent publication is identified that it is discussed to find out the reasons for this with the officers involved and to establish whether there are ongoing issues with timeliness of publication and to identify the root cause. • Processes to ensure that personal information is redacted appropriately.	30/06/2023	Internal Audit has seen a copy of the draft Freedom Of Information Publication Scheme & Local Government Transparency Code Policy. The policies have been reviewed but need to go to the new Information Management Board for final review and approval, when the Board has been set up. In order for the Board to be established, first CLT needed to approve a paper proposing the Board, which was taken to their meeting on 13 November. The first meeting of the new IMB will therefore not likely happen until the new year. Revised target date 28 February 2024
Transparency Code	H	Key Officers need to be identified in the Council who are responsible for ensuring that the Transparency Code data is published in line with requirements. This should include identifying, in a written document (such as the Information Management Strategy referenced at Recommendation 1): • The central team (i.e. the Information Governance team) with responsibility for requesting data due for publication; collating the data; ensuring that data accuracy checks have been completed; and publishing the data on the Council's external website. • For each individual dataset, identifying which team within the Council is responsible for owning and producing the data and supplying the data to the	30/06/2023	Internal Audit has seen a copy of the draft Freedom Of Information Publication Scheme & Local Government Transparency Code Policy. The policies have been reviewed but need to go to the new Information Management Board for final review and approval, when the Board has been set up. In order for the Board to be established, first CLT needed to approve a paper proposing the Board, which was taken to their meeting on 13 November. The first meeting of the new IMB will therefore not likely happen until the new year. Revised target date 28 February 2024

		central team. This should include identifying a named key contact within each team for producing the data. • For each dataset, identifying the checks that should be conducted to verify that the information published is accurate and is compliant with the format requirements of the Transparency Code, by the key officers. This can then be followed consistently when officers change to ensure that the process is consistent.		
VAT	H	The VAT team should ensure that reconciliations of purchase VAT are undertaken on a monthly basis and include a detailed review of differences highlighted between the General Ledger and the Making Tax Digital report totals. This requirement and detailed process should be incorporated into the VAT procedures recommended at recommendation 1 above.	31/07/2023	The service has confirmed that this now takes place in practice. Internal Audit have requested evidence of the current process in place. Once provided, this will be reviewed to assess whether this action can be closed. Detailed process will be incorporated into the VAT procedures. These have been drafted and are with management for review. Revised target date: TBC
VAT	H	The VAT team should establish and document a procedure to ensure the HMRC regulations on the Partial Exemption rule to local authorities are complied with. This should include regular monitoring to provide in year assurance or to identify where it is likely that the partial exemption limit may be exceeded. This would also support timely completion of the full year calculation as potential issues will have been identified during the year. The VAT team should ensure the procedure requires officers to notify the S151 if it is identified that the partial exemption limit may be breached.	31/07/2023	The Service have confirmed that partial exemption limit calculations are now included as part of the monthly VAT return process and that results of the calculation are shared with the Head of Finance. Internal Audit have requested evidence of the current process in place. Once provided this will be reviewed to assess whether this action can be closed. Detailed process will be incorporated into the VAT procedures. These have been drafted and are with management for review. Revised target date: TBC

		The Partial Exemption calculations should be reviewed and reported to the Deputy 151 Officer as a matter of priority.		
High Recommendations overdue - under 3 months				
Fostering Payments (In-House)	H	Any outstanding debts from the prior financial year (1 year old or more) should be shared with the Debt Recovery service for formal debt recovery via the corporate debt policy once service recovery has been exhausted, or debts should be formally written off in line with corporate procedure. Every effort should be made to confirm contact details of carers at every point of contact. Case workers should routinely check contact details are up to date to prevent risk that council cannot pursue debts. Monies owed should be calculated at a full cost recovery basis and noted on the tracker to ensure the council is recovering full cost.	01/09/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC
Fostering Payments (In-House)	H	Reconciliations should be expanded to include a tracker for all CCC Young People with a Peterborough City Council (PCC) carer. CCC should be made aware of the amount of weekly expenditure for these payments and reconcile quarterly as the recharge process commences, and before it is finalised. This would reduce the risk that CCC are paying above the actual agreed weekly expenditure for these placements. There is concern, given that we have little detail on CCC young people in PCC care (including the level of the carers they are with) that CCC could be being overcharged by this authority. To help reduce the budget gap going forward, the service could explore the volume of CCC YP in PCC care	01/10/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC

		and compare this to the number of PCC YP in CCC care to consider whether it may be worthwhile		
Fostering Payments (External)	H	The service should aim to accelerate timescales for onboarding thus creating a wider scope of providers on the DPS to reduce the need for spot placements. Procurement and Commissioning should review the frequency of the onboarding process and investigate whether the 6-monthly evaluation rounds could be completed on a more frequent basis to increase DPS provider base. Periods at which onboarding occurs should be formalised and frequent.	30/09/2023	The Head of Commissioning confirmed that this is being actioned through the newly-formed Sufficiency Board, and an Action Plan is currently being developed following a deep-dive review. Revised target date: 31st January 2024
VAT	H	The VAT team should develop documented procedures to give clear guidance on VAT requirements and processes. These procedures should include and clearly explain: • Roles and responsibilities of officers • VAT reporting requirements • The detailed steps to be undertaken using the monthly VAT return working spreadsheet • Timescales and deadlines for key tasks • Details of how VAT returns and supporting reconciliations should be undertaken and reviewed/signed off. In developing these procedures the VAT Team should review current processes to determine: • the purpose and necessity of the tasks in each of the 25 worksheets, including removal of duplication. • What each VAT report currently run details, is used for, and whether they are all necessary.	30/09/2023	Procedure notes have been drafted and are with managers for review. Review and approval of these procedures has been delayed, as the relevant managers are focussing on the closedown of the 2022/23 accounts. Revised target date: 31 January 2024

VAT	H	Corporate Finance should educate the budget managers on the importance of coding VAT to its correct cost centre and make sure that budget managers follow the guidance, re-allocating the associated VAT amount while they re-allocate/journal the net expenditure from the suspense cost centre. Corporate Finance should regularly check the suspense cost centre to ensure the VAT amounts left there won't cause the council to breach 5% PE limits.	30/09/2023	The service is reviewing communication options to target finance admin staff as well as budget managers , and are looking into VAT training and whether funding can be identified for this. VAT on suspense accounts is regularly reviewed and very rarely is an issue, but monthly VAT adjustment journals will be implemented to clear any such items on a regular basis. Revised target date: 31 January 2024
Medium Recommendations overdue ***- over 3 months***				
This Land	M	Governance arrangements: A formal document is produced and presented to C&IC (as Shareholder) containing governance arrangements of: • Reporting to Shareholder; • Corporate performance indicators for delivery against the benefits identified; • Business plan; • Financing the company; • Reserved matters; • Risk, Audit, and internal control 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.	01/06/21	The arrangements for reporting to Committee, submission of the annual business plan and financing the company are established. Financing is also governed by loan/security documents (which have recently been updated and reviewed by the external solicitors Freeths). The latest monitoring update to Committee was taken to SRPC on 11 July. Following recent appointments, This Land now has a complete board of directors. The shareholder agreement and articles of association are subject to active review currently, taking account of sector guidance. . The proposed shareholder agreement regulates roles and responsibilities between the Council and the company, its board and sub-committees, describing the governance arrangements for the business and business plan, financial, progress and performance reporting and monitoring, financing and supporting of the business, appointment of auditors, information governance, employment and business conduct. Provision is to be made for assessment and evaluation of the effectiveness

				of the board and codifying that a shareholder representative (on behalf of the Council) is empowered to request and receive information from the company, including to information relating to assurance and internal controls. The update above is the latest Internal Audit have received. Internal Audit have not received an update for this reporting cycle. Revised target date: TBC
Capital Programme Governance Review	M	There are 23 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/2021	These recommendations re currently under review as part of an internal audit review. As a result of the work undertaken to date, 3 of the 26 original recommendations have now been marked as ‘implemented’. However, the audit work is yet to be completed and the officer conducting the review has now left. This has delayed completion of the review. Revised target date: Audit report expected to be issued in December 2023
General Ledger	M	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	This action continues to be progressed by the Payroll Team in liaison with Corporate Finance. Aged items are being cleared and there is an action plan in place to address specific issues. The Strategic Finance Manager confirmed that system changes have been implemented that have resolved the root cause issue in relation to two control accounts. Latest analysis shows a significant reduction in aged items. Revised target date: While progress has been made Finance Colleagues have confirmed it will take some time

				to clear the remaining historic transactions. Internal Audit will be undertaking a payroll audit to be completed in Q4. This will include a review of control account reconciliations and clearance of unreconciled items. Internal Audit will provide a further update as part of our next progress report.
DSG - High Needs Block Demand Management	M	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 Education Health and Care Plan 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.	01/04/2022	No update has been received for the current reporting cycle. The previous update confirmed that “the EHCP Improvement Plan Programme of works contains projects such as Personal Budgets, Education Otherwise Than at School (EOTAS) and Elective Home Education (EHE). In addition, Personal Budgets is reflected in the SEND Strategy working groups. However we will need to develop our own Education (SEND) Personal Budget Policy. Funding has been secured for a fixed term post for a SEND Policy and Guidance Development Lead. The Job Description is in draft for review and submitting to HR. The aim is to complete this by 31st April 2023 and advertise for recruitment this summer term. Once in post the Lead will undertake a review of current CCC Personal Budget Policy to ensure that we have robust and transparent Policies, so that across the system all services know what Personal Budget means. Clear and Transparent guidance is needed to ensure consistent approach and working practice across all of SEND and key stakeholders. This is also inclusive of EOTA’s and EHE with are additional projects where Policy and Guidance will also be developed. The development of the Education, Health and Care Plan (EHCP) Template also forms part of the EHCP Improvement Plan Programme of works. The development of a working group for Personal Budgets is in Phase 1 of this project as part of the Discovery, definition and design elements required. This is expected to commence in September 2023.

				Revised target date: TBC
DSG - High Needs Block Demand Management	M	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 Education, Health and Care Plan (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	The Education, Health and Care Plan (EHCP) Improvement Plan Programme of works is split into two functioning workstreams, Annual Review and EHCP. Under Annual Review we will be conducting extensive research and engagement with our key stakeholders to understand what a good Annual Review looks like. Research will also include anonymised Quality Assurance Audits of Annual Reviews. This will feed into the development of work required to improve the Annual Review process and develop bespoke Training Packages for delivery across the whole system. Seconded Special Educational Needs Coordinators (SENCOs) have been resourced with initial sessions being held alongside the Quality Assurance Lead and Special Educational Needs and Disabilities (SEND) Transformation Programme Lead after the Easter Break. The Annual Review workstream will run until, at minimum, end of 2025. The update above is the latest Internal Audit have received. Internal Audit have not received an update for this reporting cycle. Revised target date: 31 January 2025.
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	The School Finance Team confirmed that implementation of these recommendations was delayed until after the new budgeting and reporting system had been implemented. The team has also experienced staff turnover, so the actions have not been completed but the process of reviewing and updating documentation is underway.

Overall Schools Report	M	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. 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)	30/09/2022	Internal Audit are awaiting a revised target date. Revised target date: TBC
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 detailed scrutiny of their payroll.	30/09/2022	
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	
overall school audits 22-23	M	In conjunction with Recommendation 1, the Director of Education and/or Schools' Finance Team should write to all schools to explain that whilst schools do not use ERP Gold, they should follow the key purchasing controls of having an order form raised, approved by a separate approver, and a goods receipting process should be undertaken and evidenced before payment.	31/07/2023	The service has advised that this will be done through the School Finance Team's initial correspondence to schools at the start of the academic year. Internal Audit are awaiting a revised target date. Revised target date: TBC

overall school audits 22-23	M	In conjunction with Recommendation 1, the Director of Education and/or Schools' Finance Team should write to all schools to clarify that PTA and school bank accounts should be kept entirely separate. In conjunction with Recommendation 4 below, this information should be included in consolidated financial guidance for schools	31/07/2023	No update has been provided in the current reporting cycle. Revised target date: TBC
overall school audits 22-23	M	The School Finance Team should consolidate existing CCC regulations for schools into a single document. This should include key controls for making purchases without the use of ERP Gold, which formerly existed in the Financial Regulations for Schools.	31/07/2023	The School Finance Team confirmed they were still implementing the new budgeting and reporting tool (EMS), which would be implemented by the end of the term but was taking the team capacity. The service stated this on the service's priority list for after the implementation of EMS as they want to ensure corporate documentation and guidance reflects requirements from the new system. Internal Audit are awaiting a revised target date. Revised target date: TBC
overall school audits 22-23	M	The School Finance Team should amend existing CCC regulations for schools to clearly specify areas where schools need to ratify their own internal policies in addition to the CCC regulations for schools.	31/07/2023	
Key Policies and Procedures	M	The Partnership Governance Advice and Guidance to be allocated an owner, reviewed depending on the last review date and published on Camweb.	30/11/2022	The Service Director of Policy and Communities has now left the Council and so the Executive Director Strategy and Partnerships will pick up this recommendation with assistance from a Policy and Strategy Officer who will be undertaking the review. Document review has started and will include Democratic Services and other key stakeholders. Review and update of document to be completed before end of 2023, with final sign-off in January 2024. Revised target date: 31 January 2024

Accounts Receivable Income 21/22	M	Documented procedures should be created to govern the future ongoing use of the fortuitous income codes. These procedures should include clear criteria that should be met prior to a suspense item being moved to an income code. These procedures should also cover the process of moving transactions from customer accounts to a fortuitous income code. Once developed, the procedures should be agreed with the S151 officers.	31/12/2022	This action was delayed due to the Income Management System (IMS) project implementing a new income system – in part as changes resultant from the new system had to be considered. A draft process has now been developed in respect of how the fortuitous income code will be operated. As the Income Processing Service is a shared service the paper outlining the new process had to be reviewed / approved with the S151 officers across each Partner organisation to obtain approval. The CCC process and document has been agreed and Finance codes provided. Operational will start during January 2024 due to resource constraints within Income Processing due to dual (ERP and IMS) system testing. Revised target date: 31 January 2024
Accounts Receivable Income 21/22	M	A policy should be developed to govern how credit only customer accounts should be treated and managed. The policy should include at what point in time a credit only account should be considered as aged. For example, an aged account could be defined as one that has not had any invoices raised for 6 months. The policy should include a check to ensure that a credit only account is not due to failure on behalf of the Council to raise an invoice prior to any further action being taken. Once this policy has been developed, exception reporting should be developed to identify aged credit only accounts so that action can be determined and taken in line with the policy. Data on credit only accounts should be incorporated into the current reporting regime and in conjunction	31/12/2022	Although credit only accounts is a situation that spans all customer groups the bulk of such situations is predominantly within the Adult Social Care (ASC) sphere. Bearing this in mind, principles on how to deal with credit-only customer accounts will be drafted in conjunction with ASC to ensure that we limit the impact to vulnerable customers and their financial representatives. ASC credit only accounts have been referred to Adults Directorate to work through and advise of refunds to be processed to Debt/Income This review will also consider the recommendation within the 2022/23 audit of Income Processing, in respect of a small difference write-off / write-on where the account balance is minimal and therefore further actions would not be cost effective.

		with unapplied items reporting (recommended above) and should include: • The number of credit only accounts • The value of transactions on credit only accounts • The volume of transactions on credit only accounts • Narrative on any issues and action taken in relation to clearing transactions from credit only accounts.		A Draft Process Policy has been created which, if agreed by partners, should be to be put in place start of Q4 The target date has been revised to 2023/24 Q3 to allow for the new Income system to be embedded across all Partner organisations. Revised target date: 31 October 2023 for partner approval and 31 January for implementation in practice.
Insurance Fund	M	The Claims Handling Manual should be updated following implementation of an Insurance Strategy, this should ensure that the service goals and objectives are supported by operational processes which target management resource accordingly. This could also include: current reporting review processes, betterment circumstances.	31/12/2022	Head of Insurance advised workings of the revised document are in progress, although the implementation of this recommendation relies to some extent on the Insurance Strategy being finalised. The strategy has not been formally approved and is under review by the s151 Officer. Revised target date: 01 December 2023
Insurance Fund	M	An Insurance Strategy is developed to provide a clear framework for the service goals and objectives including a structured approach to the Councils insurance arrangements. For example, this could include the following information: The strategic aims of the service, a breakdown of the risks the council self-insures and policies the council holds with external insurance providers, the process for projecting future risk profile, management and recharging arrangements, claims management processes and processes for reviewing the insurance strategy.	01/01/2023	Head of Insurance advised that this action has been delayed due to service pressures, however work has now commenced to form an insurance strategy and an initial framework for the document is with S151 for consideration and feedback. The strategy will then need to go to Lead Authority Board as the document will support all councils the Insurance Service supports. Revised target date: 01 December 2023

Money Laundering Risk Assessment	M	"The content on money laundering in the Fraud Prevention eLearning should be updated to include: • Updated information on money laundering laws. • Examples of the type of higher-risk transactions that staff might see in a CCC context. • Case studies with more of a public sector focus. • Reporting Procedure. • Customer Due Diligence process. Key teams in areas at highest risk of money laundering (i.e. Finance Operations, Property and social care finance) should be targeted to encourage them to complete the eLearning. The Council should consider introducing a separate Anti-Money Laundering training module which could be offered as targeted or even mandatory training for staff in higher risk teams. "	31/01/2023	Internal Audit has decided to create a separate bespoke eLearning training module specifically on anti-money laundering, which can be rolled out to the targeted staff groups. Development of the eLearning has been impeded by the high levels of staff turnover in the team, however the first draft of this training module has now been completed and shared with the Council's Learning & Development Service to develop into an eLearning module. Revised target date 31st January 2024
Fire Risk Assessments	M	Once a definitive list has been identified of all council properties requiring FRAs, a column should be added to the corporate portfolio spreadsheet to indicate where a FRA needs to be completed for a property, so the Compliance Team can regularly reconcile against their own FRA compliance spreadsheet to ensure they are carrying out required FRAs. An area of good practice would be to add another column for the rationale if a FRA is not required, as this would prevent the need to duplicate work if staff move on. The live corporate portfolio list should then be made available to all Teams to ensure that they are aware of when new properties are added or when properties are deleted.	31/03/2023	The service confirmed progress has been made on this recommendation but it is not yet complete. This work is being prioritised alongside other key H&S tasks and is linked to the work on compiling a verified list of properties. Revised target date: 31 March 2024

Government Procurement cards (GPC)	M	It is recommended that the CCC FAQ document is used as the primary guidance for acceptable use. As an internal document, it can be tailored to be consistent with the policies of CCC. The RBS User Guidance provides a more general guidance, and details of the responsibilities of Cardholders, Approvers and the GPC team. The User Guide, CCC FAQ Document and Travel and Expenses Policy should be consolidated and updated to ensure that guidance on staff subsistence is clear and consistent to all staff, including those in Client Funds and Social teams where exceptions may be permitted.	01/06/2023	The current process has been reviewed, with the goal to transfer all off-system processes onto ERP, to allow workflow approval, audit trails, improved reporting, and automated ERP alert emails. New guidance will be put in place when the new process is implemented. Revised target date: 31 December 2023
Government Procurement cards (GPC)	M	Conditions and exemptions for spend (usually purchases on behalf of service users) within prohibited categories should be clearly specified in the CCC FAQ document	01/07/2023	Reports have now been produced and a meeting is being arranged with Finance to confirm which categories should be prohibited. Revised target date: 31 December 2023
Chartwell Assurance	M	To maximise transparency, it is recommended that a checking mechanism is included within Project Management Office (PMO) 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. Declarations and linked management plans can be reported to and governed by the relevant project boards/groups. This may include the Capital Programme Board and Corporate Leadership Team for larger scale projects.	01/06/2023	The service has confirmed that PMO gating meetings now include as the first agenda point, a statement regarding conflict of interest. A new project management framework is in development, and the ambition is to have this published on Camweb in early 2024. Revised target date: 31st January 2024
Income Processing 22/23	M	The Business Systems Team should ensure that the discrepancy in the CCC ZAR10 control account reconciliation is resolved. Once completed the details	31/07/2023	Business Systems working with Accounts Payables Colleagues to clear the low value discrepancy, relating to one transaction of £354.25.

		of the issue and resolution should be reported to the CCC Head of Finance.		Revised target date 31 December 2023
FOI and SARS	M	The Information Governance Team should review all policies and procedures on both Camweb and the Council's external website.	31/07/2023	The policies have been reviewed but need to go to the new Information Management Board when set up. In order for the board to be established, a paper to CLT is required which will be provided 13 November. It is unlikely that a new IMB meeting will happen until the new year. Revised target date 31 January 2024
Fostering Payments (In-House)	M	The service should undertake a review of its success to date in using IFA 'top up' fees to recruit and retain in-house foster carers and consider whether a higher level of payment should be rolled out across the board to attract and retain more in-house carers. If payment of higher fees significantly improves the availability of in-house placements, the additional cost of the 'top up' fees may be offset by the reduction in the need for external placements. This should be fully explored by the service.	01/08/2023	The service has advised that the fostering service is currently undergoing a transformation project, which includes reviewing the issue of payments to foster carers as outlined in the recommendation. Revised target date 31 March 2024
Transparency Code	M	A process should be introduced for reporting on compliance with the Transparency Code to the Information Management Board and/or senior management to include any issues with production of or access to data.	30/06/2023	The policies have been reviewed but need to go to the new Information Management Board for final review and approval, when the Board has been set up. It is unlikely that a new IMB meeting will happen at which these policies can be approved until the new year. Revised target date 28 February 2024
Transparency Code	M	The process that the Information Governance Team undertakes for correcting published data which is subsequently identified as inaccurate is not documented.	30/06/2023	The policies have been reviewed but need to go to the new Information Management Board for final review and approval, when the Board has been set up. It is unlikely that a new IMB meeting will happen at which these policies can be approved until the new year.

		The process that the Information Governance Team undertakes for correcting wrongly published data should be documented so it is consistent.		Revised target date 28 February 2024
Medium Recommendations overdue ***- under 3 months***				
Accuracy of Coding	M	All product codes that reference 'health' should be reviewed to provide clarity over which code should be used for transactions that relate to the NHS or other health authorities. Consideration should be given to streamlining product codes. A large amount of Council money contributes to NHS services, evident in 3 sample transactions amounting to over £1m, so it is important the expenditure is coded correctly to not overstate the expenditure on professional fees and hired services.	01/09/2023	Code changes have not yet been agreed by partner LAs and they cannot be changed in ERP Gold only for CCC. Further meetings are required. . Revised target date: 31 January 2024
Accuracy of Coding	M	Product codes and product code descriptions should be reviewed to rationalise/remove duplicates and conflicts. to provide greater clarity and help mitigate the risk of miscoding on the GL. This review should cover the following: • The 'grants to voluntary bodies' account code could be removed and replaced with the pre-existing 'grants' account code which already has two product codes: 'charitable' and 'non-charitable'. Any expenditure related to charities will then all be coded to one product code and account code, rather than split across two different account codes. • The 'grants and support for other service users' product codes could be amended to include the description 'direct to service user' to ensure it is completely clear to an officer the account code should only include payments made directly to service users. • The 'joint partnership funding' product and account code could be renamed to 'contributions to joint partnerships', 'to make it clear to officers the account	01/09/2023	Code changes have not yet been agreed by partner LAs and they cannot be changed in ERP Gold only for CCC. Further meetings are required. . Revised target date: 31 January 2024

		code should only be used when the payment is a contribution and is not fully incurred by CCC. • Product code descriptions should be reviewed to ensure there are no duplicate descriptions.		
Accounts Payable 22-23	M	The current process for manual spreadsheet uploads should be reviewed to ensure that only budget holders can approve manual uploads, that they can only approve upload payments against their own budget, and that they cannot approve individual payments in excess of their agreed limit in line with each Council's scheme of financial management. If the process is to remain it should be agreed with S151 Officers at each Council.	30/09/2023	Due to spreadsheets containing multiple cost centres in some scenarios ERP cannot be used as an approval process. The spreadsheet process does not lend itself to individual budget manager approval. AP will produce a document that outlines the process and will look to agree Section 151 approval and approval limits. Revised target date: 31 December 2023
Accounts Payable 22-23	M	The Head of Financial Operations should consider whether verification checks should be introduced in relation to bank account changes where the supplier on ERP Gold is an individual rather than an organisation. Internal Audit recommend the following controls are considered for implementation: • When an ERP supplier amend form is submitted by an officer (e.g. a social Worker) they should certify that they have confirmed the change as legitimate with the supplier (i.e. the customer/foster carer). • A copy of the suppliers identification must be provided with the ERP supplier amend form. If it is considered by the Head of Finance Operations that any such controls are disproportionate or may have an adverse impact on the efficiency of operations, the current arrangements for bank detail changes in relation to non-commercial suppliers who are individuals should be endorsed by the S151 Officer at each client council to ensure they are prepared to	30/09/2023	A demonstration was held by Spotlight on the 31 October who have a Bank Verification Tool, which also has the ability to check individual bank accounts during the verification process. This is run by the Cabinet Office who have provided us with 1,000 credits to pilot the solution and perform a time and motion study to understand any resource impact on including individuals to the verification process. There is a potential cost of 50p per verification check in the future, however six months will provide us with the time to ensure that the solution is fit for purpose. A meeting was held with Audit on the 1 November who agreed this is a good way forward. The pilot will commence in November, and progress can be report in Q4 to S151 Officers so that an informed decision can be made in the future Revised target date: 31 March 2024

		accept the increased risk of bank mandate fraud/financial abuse.		
Client Funds	M	Procedures for identifying and reporting fraud or financial abuse, should be written up and included in the bank of policy and procedure documents held by the team. Procedures should include who is responsible for reporting concerns; the key officer roles and teams concerns should be reported to; the method used for reporting; and how activity relating to cases that have already been reported by other Council services should be recorded. This document should make reference to the council's whistleblowing and anti-fraud policy and the team should be clear that suspected fraud and financial abuse of service users must be reported to Internal Audit and to Safeguarding as soon as possible once a concern is raised.	30/09/2023	Procedures have been drafted and provided to Internal Audit. Internal Audit advice following the review was that the draft procedures need some additional elements to fully implement the recommendation. These amendments will be actioned and then procedures will be sent to ASC Safeguarding and MASH Team. Revised target date: 31 December 2023
Client Funds	M	Amend case file audits so they include checks on a sample of client expenditure to verify spend back to receipts and ensure that spend is correctly authorised by the team and evidence is saved. Client expenditure should also be appropriate and any potential patterns of expenditure which may not fit with the client's needs should be highlighted. Additionally, there should be a check added to ensure that clients assets are maintained correctly, including checks to ensure funds have been received for any sale of assets.	30/09/2023	Procedures have been drafted and provided to Internal Audit. Internal Audit advice following the review was that the draft procedures need some additional elements to fully implement the recommendation. These amendments will be actioned and then procedures will be sent to ASC Safeguarding and MASH Team. Revised target date: 31 December 2023
Client Funds	M	In order to mitigate the risk of misappropriation of client assets, documented procures should be developed covering physical assets held by the client including how these should be properly identified, and processes should be put in place where it is agreed how they should be maintained, used and disposed of.	30/09/2023	Procedures have been drafted and provided to Internal Audit. Internal Audit advice following the review was that the draft procedures need some additional elements to fully implement the recommendation. These amendments will be actioned and then procedures will be sent to ASC Safeguarding and MASH Team.

		These assets should be regularly monitored by client funds alongside financial assets.		Revised target date: 31 December 2023
Direct Payments Consolidated Report	M	The Internal Audit team will conduct a full audit review of Direct Payments to identify any control weaknesses not picked up in this consolidated report.	30/09/2023	This remains in the Audit Plan and is currently scheduled to take place in Q2 2024/25. The timing of this audit has been delayed by the need to reprioritise the Audit Plan to the areas of highest risk following significant resource pressures within the team. Revised target date: Audit to commence July 2024.
Direct Payments Consolidated Report	M	Internal Audit will conduct a review of the Council's arrangements with its current and former Direct Payments Support Services (DPSS) to understand the level of contractual responsibility placed on these organisations to identify and flag any excessive or unusual expenditure, arrangements for service users when the contracted DPSS changes, and to consider whether the current contractual terms are sufficient to enable the Council to place reliance on DPSS to report overspending and/or misuse of Direct Payments or whether these should be strengthened.	30/09/2023	This will be covered as part of the Direct Payments Audit scheduled for Q2 2024/25. Revised target date: Audit to commence July 2024.
Direct Payments Consolidated Report	M	The Council's Direct Payment Agreement should be amended to require Council approval for all arrangements where close family are paid as Personal Assistants via a Direct Payment, regardless of whether they live in the same household, and to specify that the Council may ask for the return of any money paid to family members without prior approval. Payments to family members should only be made where this has been written into the service user's Care & Support Plan and signed off accordingly.	30/09/2023	Between March '23 to date, officers have presented revised Direct Payment Agreement templates to Practice, Governance & Standards Board which on first review raised concerns on alignment of the audit control to Care Act regulation. Officers are returning to Board on 07 December to address objections and secure approval. Assuming agreement is reached, DP Agreements already drafted and ready for deployment. Revised target date: 01 February 2024

Direct Payments Consolidated Report	M	Social care procedures should be updated to specify that when individuals with a Direct Payment are reassessed and a new Care & Support Plan drawn up, they should also be issued with the current version of the Direct Payment Agreement/Authorised Person Agreement alongside the Care & Support Plan and requested to return a signed copy.	30/09/2023	Between March 2023 to date, Practice Fact Sheets have been updated by Practice, Governance & Standards Team, and held over pending agreement to other audit actions. On agreement/approval to Audit Actions 1 and 4, Fact Sheets will be updated to 'live' and articles released in the Practice Newsletter. Revised target date: 01 February 2024
Direct Payments Consolidated Report	M	Direct Payments Monitoring Officers procedures should be updated to include a check of whether there is a signed and up to date (within the last 3 years) Direct Payment Agreement (DPA)/Authorised Person Agreement on file when conducting their annual account	30/09/2023	Between March 2023 to date, updated internal procedures have been drafted and held over pending agreement to other audit actions. Once agreed, the updated Direct Payments Monitoring Officers procedures will be deployed. Revised target date: 01 February 2024
Debt Recovery 22/23	M	The use of debt collection agencies should be reintroduced, for both automated referrals in line with the collections policy and manual referrals by recovery officers on a case by case basis. Consideration should be given to amending procedures to refer further categories of debt not currently included in the collections policy. This could include aged debts and/or debts that have not been subject to recovery activity for a significant period of time. If referrals to the collection agency are not going to be reintroduced, this decision should be ratified by the S151 Officer.	30/09/2023	It is acknowledged that the Income policy does mention all debts under £500 and over 90 days (excluding Adult Social Care) should be referred to a Debt Collection Agent. In order to achieve this however in an efficient way requires some configuration within ERP Gold, and due to a number of significant system projects during 22/23 & 23/24 there has not been resource available to progress at this time. It should also be noted that 99% of 22/23 sundry debt has been secured and therefore resources are being directed towards increasing ASC debt. As part of the Deep Dive into ASC Debt we will work with ASC to see whether External DCAs could be utilised for some ASC debts.

				Revised target date: TBC
Debt Recovery 22/23		The Head of Finance Operations should decide if procedures should be amended to reflect the current practice and detail the approval time-out procedure, or whether to amend the system workflow in ERP for write-offs to ensure that budget holder approval must be given before write-offs are progressed. In conjunction with Recommendation 5, the procedure could vary for different values of write-offs.	30/09/2023	The Inbuilt system process is functioning as intended with write-offs being sent to approved budget holders using the ERP workflow process, before approval is obtained from S151 or delegated officer. It is recognised however that although the process is operating as designed that in some areas there may be a need for greater compliance with budget holders to approve their write-offs within the system workflow. Initial review was undertaken following a request to change ERP process by WNC to simplify the approval process. Details of suggested changes have also been shared and agreed by CCC & MKC with a follow up meeting scheduled with WNC S151 for November 23. Once agreed CR will be raised with Business System for development, which is unlikely to be in place until 24/25 due to current number of system projects. Revised target date: TBC. To be updated once the meeting with WNC S151 held.
Fostering Payments (In-House)	M	ART should endeavour to ensure that a 408 form is signed for every young person placed. The Fostering service should endeavour to obtain a signed copy of the placement plan (72 hrs) prior to the start of any placement. In cases of emergency, where this is unfeasible, they should endeavour to collect this at the earliest opportunity. The Fostering service should undertake a review of all current in-house foster carers to confirm that a signed, up-to-date foster care agreement is on file for them. In cases of existing	01/10/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC

		placements which do not have a signed fostering agreement, corporate parenting should liaise with the foster parents to obtain these. All signed agreements should be documented in a shared folder to ensure any problems can be quickly settled with foster carers. The Fostering service should endeavour to complete 408 notifications to include all information (including weekly placement fees), to confirm changes to placements have been authorised and to increase the likelihood of accurate commitment records and trackers. Ongoing assurances for the above should be provided via regular spot-checking on a sample of files on an intermittent basis as part of a wider quality assurance process. Outcomes of which could be reported within ART dashboard to maintain oversight of compliance performance.		
Fostering Payments (In-House)	M	To avoid the need for complicated payment suspensions and delays in record updating, fostering finance management should be given access to edit payments within ContrOCC on notification of an error or change. There appears no need for this to be completed by IT, especially as they do not request any evidence of the change to verify any change request. Likewise, for SOC 408 changes, provided the change has been approved and this is verified by the finance team on receipt of the 408 notification the responsibility to update payment records could be shared by the finance, ART and Duty teams.	01/09/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC

Fostering Payments (In-House)	M	The service should expand internal and external guidance for the outstanding elements that have not been addressed by the external Foster Handbook and Independent Fostering Agency (IFA) transfer guidance. These outstanding elements include allowances for children entering higher education and confirming allowances for pocket money/savings and respite placements, as these currently are quoted within the Handbook guidance as 'under review'.	01/09/2023	The Service Manager confirmed that the current handbook has been updated to include allowance information about pocket money and savings, as well as respite placements. Allowances for children entering higher education is yet to be resolved. The service is looking to set up a system whereby children's allowance is paid directly into their bank account. Revised target date: 31st March 2024
ICT Change Management	M	ITDS staff should investigate how the Hornbill system can be configured such that extracted lists of changes (e.g. in the Request List screen) include columns to specify the change type and whether changes have been approved, rejected, or neither. These functionalities should then be introduced.		Documentation has been updated but this element has not been incorporated, and so Internal Aduit is liaising with the service with regard to this recommendation. Revised target date: 28 February 2024
ICT Change Management	M	In conjunction with Recommendation 1 of this report, the details regarding the priority levels included in RFCs should be clarified in written procedures to add value to existing reporting. This should include what differentiates low and high priority changes, who decides on that classification for each change, and what the workflow implications are. If these classifications are meaningless, they should be removed from Request for Change forms.		The service has created a template document for recording discussions and decisions at Change Advisory Board meetings. Internal Audit has requested evidence of this being used in practice to facilitate closure of the recommendation. Revised target date: 28 February 2024
ICT Change Management	M	All Change Advisory Board meetings should be minuted to evidence who has been involved in discussions and decision-making, and what decisions have been made. This will serve to provide supporting evidence in the event of retrospective review, for actions made in Hornbill on behalf of other users or actions based on Change Advisory Board decisions.		The service has confirmed that this is not possible with the current configuration of Hornbill, but Internal Audit is liaising with the service to explore whether this configuration is achievable. Revised target date: 28 February 2024

ICT Change Management	M	ITDS staff should create a report which can be extracted from Hornbill, that lists changes where more than one approval was provided by the same person. Change Advisory Board should review this on a quarterly basis, to ensure that any changes which were illegitimately pushed-through the approval process do not go unnoticed.		Documentation has been updated but this element has not been incorporated, and so Internal Aduit is liaising with the service with regard to this recommendation. Revised target date: 28 February 2024
ICT Change Management	M	In conjunction with Recommendation 1, written procedures should be updated to require that when a PIR is undertaken, results of the PIR and especially any reasons for failure or learning opportunities should be recorded in Hornbill. It should also be recorded who undertook the Post-Implementation Review (PIR) and when.		The service has stated that this recommendation is complete, so Internal Audit is working to obtain evidence of authorisation for retrospective changes by all Change Advisory Board members. Revised target date: 28 February 2024
ICT Change Management	M	Change Advisory Board members should mark that they have reviewed retrospective changes in the Hornbill system to evidence their review by all Change Advisory Board members before the change is formally closed. This is especially important in the absence of any Change Advisory Board meeting minutes.		Documentation has been updated but this element has not been incorporated, and so Internal Aduit is liaising with the service with regard to this recommendation. Revised target date: 28 February 2023
IT Security 23-24	M	We recommend that, where it doesn't exist already, the Council establishes formalised policy detailing the approach to the security of the network. This should include requirements for network monitoring and use of information outputs from such activities. It is then essential that the Council works to ensure that system configurations are aligned with requirements outlined in policy. The Council should continue to work towards the implementation of a SIEM solution which will help them detect, assess and respond to security threats. Once procured, the Council should work with the third party	30/09/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC

		provider to outline their security requirements and ensure these are built into the configuration of the SIEM solution.		
IT Security 23-24	M	We recommend that the Council defines its requirements with regard to privileged accounts. This should include: • Processes and procedures for request and approval. • A role-based matrix highlighting the users/roles for which privileged access would be appropriate. • Review of privileged accounts in line with a least privilege model to evaluate and reduce the volume of privileged accounts. • Requirements for a minimum number of shared service accounts and increased password changes. • Formalised approval pathways which ensure an appropriate level of approval is sought from an individual other than the requester. • Regular review of privileged access accounts, with disablement of unused/inactive accounts. • Requirements for review and management of tools such as KeePass and LAPS to ensure secure configuration and usage. In conjunction with these requirements, the Council should conduct a review of active privileged accounts. Enterprise and Domain Admin accounts should be reviewed for appropriateness and reduced to a lower number of individuals, applying the principle of least privilege. Consideration should also be given to those accounts which are inactive. IT management, in conjunction with the Information Security Manager should take action to disable or delete these, as appropriate.	30/09/2023	Internal Audit has not had an update for this recommendation. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC
IT Security 23-24	M	We recommend that the Council underpins the Vulnerability Management Policy with procedural	30/09/2023	Internal Audit has not had an update for this recommendation.

		documentation which includes: • Types of security assessment to be undertaken. • Frequency and schedules for security assessments. • Roles and responsibilities for security assessments. • Actions and procedures to be taken to track, manage, report and rectify issues identified during security assessments. This should include consistent usage of the RAP template to assign relevant actions and owners to vulnerabilities. • Compliance requirements for security assessments (e.g., Public Sector Network compliance requirements). We recommend that the Council implements an overall RAP or similar tracker which provides oversight of all vulnerabilities being tracked. By consolidating the outstanding results of all assessments, the organisation will be afforded a holistic view of their vulnerabilities. This will be an important tool to provide oversight to management groups and prevent duplication in tracking vulnerabilities identified during multiple assessments. The Council should consider introducing a vulnerability management working group which meets on a regular basis with the remit of monitoring the results of security assessments and carrying out remediation activities. Such a group should report to both the Cyber Security Group and Strategic Cyber Security Board to ensure clear, hierarchical oversight over the organisation’s position with regards to their exposure to vulnerabilities.		This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC
IT Security 23-24	M	The Council should ensure that they prioritise, monitor, track and follow up on actions resulting from password reviews in order that significant issues are remediated in a timely and effective manner. The Council should	30/09/2023	Internal Audit has not had an update for this recommendation.

		consider forced password changes where account passwords are found to not comply with policy and guidance. We recommend that the Council defines policy and processes around the provision and use of exceptional accounts, such as those for third party use or generic accounts. For the latter, the Council should implement working practices to restrict access to only those who require it and track who has been provided with such access.		This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC
VAT	M	Internal Audit suggest the VAT team considering implementing spot checks on ERP Gold transactions to identify cases where VAT has not been recorded in ERP Gold. Such spot-checks may be best focussed on the highest value transactions each month.	30/09/2023	The service has confirmed that these checks are expected to be implemented in the next month. Internal Audit will follow up in early 2024 to ensure the process is implemented. Revised target date: 31 January 2024
VAT	M	The HR Service (as the policy owners) should liaise with the Corporate Comms Team to ensure officers and managers are reminded of the requirement that mileage and expense claims must be supported by VAT receipts. The HR Service should consider undertaking spot checks of mileage and expense claims. It is recognised there may be limited resources to check significant numbers so such checks should focus on the highest value claims.	31/10/2023	The HR Service has confirmed there is a meeting arranged with the Payroll Service at the end of November 2023 to explore how such checks can be best undertaken. This reporting cycle is the first for which this recommendation has been overdue. Revised target date: TBC

Agenda Item No: 9

Corporate Risk Register

To:	Audit & Accounts Committee
Meeting Date:	1st December 2023
From:	Chief Executive
Electoral division(s):	All
Outcome:	Good risk management - including the identification of risks and triggers as well development of mitigating actions - should inform decision making and areas for improvement; lead to better overall management of the Council's business, and protect the Council's assets, workforce, finances and services.
Recommendation:	The Committee is recommended to note the Corporate Risk Register as presented to the Strategy Resources & Performance Committee on 31st October 2023.

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1. Background

1.1 Risk Management is the process by which the Council understands and proactively considers the principal uncertainties and overall risks facing the organisation. Through effective risk management, we aim to optimise success by minimising threats. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control which includes effective arrangements for the management of risk.

1.2 Under the Council's constitution, the Strategy, Resources & Performance Committee (SRPC) is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee (AAC) 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.

1.3 Risk is inherent in our delivery of high-quality public services. The volatility, complexity and ambiguity of the Council's operating environment continues to increase, and taxpayers rightly expect transparency and accountability from the Council in managing the impacts of risk. We are committed to managing risk so that we enhance strategic planning and prioritisation and achieve our objectives with agility. The benefits of risk management include:

- Taking timely and proportionate action to prevent risks occurring or to manage effectively
- Development and delivery of robust and effective action plans and enhancements to the governance of the organisation
- Ensuring that decision makers are fully aware of any key risk issues associated with proposals being considered at the point of decision making
- Demonstrating openness and accountability

1.4 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. This report provides an update on the Council's Corporate Risk Register.

2. Corporate Risk Register Updates

2.0 The full updated Corporate Risk Register can be found at Appendix 1 to this report.

2.0.1 Please note, on the risk matrices, "RA" denotes the Council's maximum risk appetite of 15, which is a set maximum appetite for all risks. Where risk owners have identified a target risk below this risk appetite level, this is denoted with a "T".

2.1 Corporate Risk Register Overview

2.1.1 The following table gives an overview of the current status of the risks on the corporate risk register, including information on the current risk scoring compared to the scores at the previous report to Committee, and the direction of travel for each risk.

Table 1: Corporate Risk Register Overview, October 2023

Risk	Residual Risk Score Oct 23	Residual Risk Score Jul 23	Direction of Travel	Last Reviewed
1. Risk that the Council's arrangements for safeguarding vulnerable adults fail.	15	15	→	02/10/23
2. Risk of failure of the Council's arrangements to safeguard vulnerable children and young people.	15	20	↓	28/09/23
3. Risk that the Council does not have enough budget to deliver agreed short and medium term corporate objectives.	12	12	→	03/10/23
4. Risk that a serious incident occurs, preventing services from operating and /or requiring a major/critical incident response.	12	12	→	04/10/23
5. Risk of failure of corporate governance.	10	10	→	03/10/23
6. Risk that the Council's workforce is not able to meet business need.	15	15	→	05/10/23
7. Risk of failure to deliver key Council services.	10	10	→	29/09/23
8. Risk that the Council is a victim of cyber crime.	15	15	→	04/10/23
9. Risk that the Council fails to comply with Information Governance legislation and industry standards	12	12	→	15/09/23
10. Risk of failure of key contracts.	12	12	→	29/09/23
11. Risk of failure of collaborative working.	12	12	→	28/09/23
12. Risk of Climate Change.	16	16	→	21/09/23

2.1.2 The only risk on the corporate risk register showing a change in scoring since the previous reporting period is Risk 2, 'the risk of failure of the Council's arrangements to safeguard vulnerable children and young people'. This reduction follows a comprehensive review of the risk by the new Executive Director of Children, Young People and Education.

2.2 New Risks / Risks De-Escalated from the Corporate Risk Register:

2.2.1 There have been no new risks added to the Corporate Risk Register since the previous report in July 2023, and no risks have been de-escalated from the corporate risk register.

2.3 Key Actions Implemented:

2.3.1 A number of actions incorporated in the Action Plans for the Corporate Risk Register have been closed since the previous report in July 2023. In particular, the following key actions have been marked as complete by Corporate Risk Owners:

- Audit & Accounts Committee to undertake a self-assessment of effectiveness in line with CIPFA guidance.
- Appointment of Independent Non-Voting Member of the Audit & Accounts Committee.
- Receipt and review of Monitoring Surveyor reports for This Land Ltd.
- Governance Review undertaken by the Monitoring Officer.
- Creation and finalisation of a corporate IT Strategy and implementation of the Cyber Treatment Plan.
- Consultation and Restructure within Strategy & Partnerships.
- Consultation & Restructure within People's Services.

3. Other Risk Management Updates

3.1 CLT Risk & Assurance Meeting:

3.1.1 A meeting of the CLT Risk & Assurance group took place on 10th October.

i. *Review of Risk Matrices:*

3.1.2 As part of the meeting, CLT reviewed the risk matrices currently in use at Cambridgeshire, which follow a linear 5x5 model for scoring risk (with scores of 1 – 5 for the likelihood of the risk occurring and 1 – 5 for the impact if the risk were to occur). The current model was compared with an alternative model that gives greater weighting to the impact score.

3.1.3 In order to inform the discussion, the Corporate Risk Register was scored using both the existing linear method and weighted model, for comparison. A benchmarking exercise against 10 other local authorities indicated that 7/10 used the linear method and 3/10 used a weighted model.

3.1.4 Discussion at CLT highlighted the following feedback on the risk matrix:

- It was felt that the weighting being placed on the impact score reduced rather than increased the nuance of the scoring by pushing risks with low likelihood but high impact up the risk matrix.

- It was also discussed that officers felt that when managing risk, it was more often possible to reduce the likelihood of a risk occurring than to reduce the impact if the risk should occur. Therefore it was suggested that by weighting impact rather than likelihood, the alternative methodology may over-emphasise risks that are comparatively well controlled, while not highlighting risks where more could be done to reduce the likelihood of the risk occurring.

- It was felt that changing the approach to risk scoring could prove counter-productive at a time when the Council is seeking to continue embedding and communicating the risk management approach throughout the organisation. There would be a need to re-start the cycle of approval followed by education and training and re-embed a new process.

3.1.5 Following the discussions, CLT decided to retain the current risk matrix and methodology. They will continue to keep the methodology under review, as part of the annual review of the risk management policy, and the next CLT Risk & Assurance meeting will further review an alternative methodology placing additional weighting on the 'likelihood' scale, for comparison.

ii. *Risk Registers Review*

3.1.6 CLT reviewed the updated Corporate Risk Register and Directors confirmed that since the previous meeting there have been no escalations required for risks on Directorate Risk Registers. CLT also reviewed the Adults Directorate Risk Register.

3.1.7 The mechanism for taking Directorate Risk Registers to Committee was also discussed. It is recognised that the remit of the Council's Committees does not always align to the remit of its Directorates, which can make it complex to establish which Committees should see which Directorate-level risks.

3.1.8 Following the establishment of the new Assets & Procurement Committee, it was agreed that the Head of Internal Audit & Risk Management will arrange a meeting with the Executive Director of Finance & Resources and the Executive Director of Strategy & Partnerships to discuss how best to align reporting of Directorate risk to Committee, ideally by assigning each Directorate Risk Register to a single Committee as far as possible.

3.1.9 Further guidance for officers on directorate-level risk reporting will then be produced by the Audit & Risk Management team, and the service will aim to support directorates to move to a consistent format of risk reporting using the Council's GRACE risk management system.

3.2 Risk Management Training:

3.2.1 A risk management training session for all Councillors was held on 14th September, 12 –

1.30pm online via Microsoft Teams. The session covered the basics of risk management, the risk management policy and processes in place at CCC, and the role of Members in risk management. The training session was attended by 18 Members, and a recording of the session will be made available for other members to watch.

3.2.2 The Internal Audit & Risk Management team is planning a communications campaign regarding the updated Risk Management Policy and Toolkit, with posts on the corporate intranet and the staff newsletter planned to go out in October to raise awareness of these key policies amongst officers.

3.3 Risk Strategy Implementation Update:

3.3.1 The Internal Audit & Risk Management team is progressing the actions from the Corporate Risk Strategy shared with Committee in July 2023. Key action updates since July include:

- *Action: "The Council should review how risk information is presented as part of decision-making processes and identify any areas for improvement, as part of the development of decision-making guidance to improve quality of report writing*."

  The Service Director: Legal and Governance has been undertaking an in-depth review of the Committee report template and report-writing guidance. As part of this, a greater emphasis will be placed on providing sufficient information on risk management in all reports.

- *Action: "Internal Audit to re-introduce the Corporate Risk Group on a quarterly basis with Risk Champion from each Directorate. This should ensure a wider range of perspectives are brought to bear on the CRR and will re-establish compliance with the Risk Management Toolkit."*

  The Internal Audit & Risk Management team have identified key contacts across the organisation to re-form the Corporate Risk Group. In October, the team will develop a draft Terms of Reference for the group and the first meeting is planned to take place in mid-November.

3.3.2 As part of the Business Planning process, the Head of Internal Audit & Risk Management has put forward plans to introduce a dedicated Risk Manager post in the new financial year, to enhance capacity to further develop and strengthen risk management processes at CCC.

4. Alignment with ambitions

4.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

There are no significant implications for this ambition.

4.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

4.3 Health inequalities are reduced

There are no significant implications for this ambition.

4.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

4.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.

4.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications for this ambition.

4.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

5. Source documents guidance

5.1 Source documents

Corporate Risk Register

5.2 Location

Appendix 1

13/10/2023 15:08:39

Cambridgeshire County Council CRR

Risk	01. ASC - Council's arrangements for safeguarding vulnerable adults fail

Likelihood / **Consequence**

Likelihood					
5					
4					
3					X/RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Patrick Warren-Higgs

Current Score	15
Risk Appetite	15
Previous Score	15

Last Review	02/10/2023
Next Review	31/12/2023

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Inability to recruit, train and retain experienced staff 2. Inherent weaknesses in governance arrangements 3. Poor quality of practice not delivering statutory responsibilities, non- compliance with policies & practice guidance 4. Ineffective management oversight 5. High caseloads/demand on service 6. Internal organisational change 7. External system/regulatory changes 8. Major incident results in spike in demand for services and/or inability to access Council systems, records or buildings.	1. Decrease in government funding 2. Failure/handback from commissioned providers 3. Increased expectations on local government 4. Increase in demand for services 5. Inflation and cost of living crisis	1.Vulnerable adult is seriously harmed 2. People lose trust in Council services and/or commissioned services 3. Council is judged to have failed in statutory duties 4. Requires improvement or inadequate CQC outcome

Controls	Adequacy	Critical Success	Assurance
01. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Safeguarding Adult Reviews.	Good	Regular Reporting. Appropriate tools and support to practitioners to guide best practice.	Eastern Region Sector Led Improvement Programme Adults practice governance board. LGA Peer Review and associated Improvement Plan in readiness for CQC inspection in the next 12 months.
02.Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions that monitor and instil safeguarding procedures and practice	Good	High quality supervision and support. Professional staff are able to continue registration with their professional bodies. Dedicated resource for safeguarding training within Learning and Development, specific training strategy document which is refreshed annually.	SAB multi agency policies and procedures in place. Themed audits re safeguarding and associated learning and development. Robust training programme in place Adults practice governance board and practice guidance.
03. Clear 'People in Position of Trust' policy and guidance in relation to Adults Provide training, SAB	Good	In place, links to practice guidance in ASC and corporate HR guidance as required.	Appropriate training provided.
04. Multi-agency Safeguarding Boards and Executive Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity. Coordinated work between multi-agency partners. In particular Police, County Council, Health and other agencies who are key members of the Board and subgroups.	Good	Regular reporting and shared working outcomes	SAB annual report highlighting progress against priority areas shared with Adults & Health Committee.
05. Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance	Good	Regular auditing and reporting. Ability to highlight good practice and areas for improvement, robust service level improvement plans developed as needed.	Monthly Management Audits. Annual programme of Themed Audits. Adults practice governance board. Agreed Improvement Plan with Senior Responsible Leads

06. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission. Implementation of provider of concern process as required.	Good	Regular auditing and reporting. Ability to support providers at risk.	Contracts monitoring team, care home support team & provider of concern process
07. Coordinated work between multi-agency partners for both Adults and Childrens. In particular Police, County Council and other agencies including supporting young people transitions to adulthood, with the oversight of the Safeguarding Boards	Good	Effective and safe implementation	SAB and key statutory partners
08. Continue to work with the CQC to share information.	Good	Regular reporting	Contracts monitoring team
09. Managing increasing demand and acuity to ensure adults receive right support at the right time. Regular DMT's to discuss and escalate issues.	Good	Reduced waiting times. Providing proportionate and time critical responses to those at risk.	Escalation to CLT as required.

Action Plans	**Assurance**	**Responsibility**	**Target Date**
1. Performance Improvement Plan Improvement plan has been developed and agreed with key actions to take forward based on the peer improvement recommendations and national indicators. This is being reviewed fortnightly internally across key meeting groups and updated accordingly. The improvement plan considers DOLs in CCC, threshold assessments for people in care homes in CCC, adults and autism historical back log, OT waiting list. LD Health waiting lists linked to section 75 agreements, care and support plan delays, including brokerage of increases or changes to care packages, financial assessment and financial data entry delays.	Good progress has been made on reviews due to the use of the external agency to tackle the long waiters. This will be an ongoing process		31/12/2023
2. Adults Workforce Strategy This has been drafted and has been circulated for further comments and feedback (nationally and internally), with a view for a finalised version to be agreed. Forecasting future need, setting out recommendations and actions to retain, succession plan and ensure pipelines of future workers.	Drafted and due for approval and agreement to CLT.		30/11/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	02. CSC - Failure of the council's arrangements to safeguard vulnerable children & young people

Likelihood					
5					
4					
3					X/RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Martin Purbrick	**Current Score**	15	**Last Review**	28/09/2023
		Risk Appetite	15	**Next Review**	27/12/2023
		Previous Score	20		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. High caseloads in Children's Social Care. 2. Lack of financial resilience. 3. Non-compliance with safeguarding processes and procedures. 4. Inability to recruit and retain experienced Social Workers. 5. Lack of placement sufficiency to meet the needs of complex children and young people. 6. Failure to secure a requires improvement outcome from Ofsted inspection. 7. Major incident results in inability to access Council systems, records or buildings. 8. Changes in regulatory requirements for children's social care (Stable Homes Built On Love). 9. Lack of senior management capacity. 10. Lack of capacity to deliver effective services within SEND.	1. Children's social care case loads are too high in some areas due to issues with recruitment and retention. 2. Lack of robust assessments (undertaken in a timely way) of risk in relation to children & the family circumstances. 3. Difficulty procuring sufficient capacity for children's placements and Home to School Transport. 5. New quality standards and Ofsted inspection regime for unregulated supported accommodation for 16- and 17-year old looked after children and care leavers. 6. Insufficient partnership working to deliver better outcomes for children and young people. 7. Need for the Council to implement the demands of the Safety Valve principles.	1. Harm to child or young person awaiting or receiving services from the Council. 2. Reputational damage to the Council. 3. Financial impact. 4. Appointment of a Children's Commissioner and notice of statutory intervention issued by the Department for Education.

Controls	Adequacy	Critical Success	Assurance
1. Multi-agency Safeguarding Boards and Executive Boards. Provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity specific safeguarding situation between partners.	Reasonable	The LA improvement board starting on 13th October 2023 Appointment of an independent Chair (in post since January). Partnership agreement on priority actions following Ofsted focused visit.	Council has acted as a single agent to ensure the right focus on safeguarding, with a lead from the Executive Director of Children's. The CEX's supported by the Executive Director for Childrens have agreed an Executive Board for all the partnerships to meet on a quarterly basis, TOR are being dfrafted
2. Information-sharing and coordinated work between multi-agency partners, providers, and regulators. In particular Police, County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the Safeguarding Boards. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission.	Reasonable	Multi agency agreed action plan to be implemented with pace and purpose. A review by Essex sector led improvement partner to identify key areas of strengths and development. Improvement are being made continuously as key areas are identified.	Independent Safeguarding Board Chair is working collaboratively with the Executive Director for Children's on mobilising the requirements from the Ofsted focused visit at Peterborough. Better working relations with partners on preventative measures has been better developed.
3. Comprehensive and up-to-date Safeguarding Policies, Procedures and Practice Standards. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews.	Reasonable	Safeguarding handbook and threshold documents that are understood by all staff and partners. Threshold document is under review. New Principle Social Worker has been recruited and in place.	Partnership developing tools and pathways that support best practice around exploitation and safeguarding of vulnerable children and young people.

4. Safeguarding Training & Development Comprehensive and robust safeguarding training, ongoing development opportunities for staff, and regular supervisions monitor and instil safeguarding procedures and practice.	Good	Effective training and development ensures all staff understand and can implement key safeguarding processes. Social care academy due to launch on 20th November with new ASYE and International workers in January 2024.	The outcomes of quality assurance should provide assurance over the effectiveness of staff training and development, and inform areas where further training is needed. The new Principal Social Worker has been recruited and in place.
5. Quality Assurance Framework. Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance.	Poor	QA framework that is understood by all that are using it; reflects the lived experience of children; and helps with practice improvement, whilst supporting practice standards.	Outputs from the QA framework should provide assurance that social workers understand what they need to do to improve children's situations.
6. Clear processes for reporting concerns. Whistleblowing policy, robust Local Authority Designated Officer (LADO) arrangements and complaints process inform practice.	Good	Effective processes for reporting concerns ensure that the response to concerns is timely and effective, with the involvement of appropriate partners.	Completed a review of the notification process. Quarterly reports from customer services (including complaints) has been established and is being shared.
7. Family Safeguarding Approach Family Safeguarding involves multi-disciplinary teams in children's social care, to keep families together and ensure children and adults services work jointly for the best outcome for the family.	Reasonable	Effective and fully embedded family safeguarding approach linking services and partners.	DFE Peer Review requested to establish a baseline for the practice model to improve its implementation.
8. Role of Schools Intervention Service & Schools Causing Concern. The Council's Schools Intervention Service supports good governance in maintained schools and conducts regular reviews of safeguarding and safe recruitment practice in schools. The Schools Causing Concern process enables concerns about school safeguarding practice to be escalated, monitored and managed by the County.	Good		
Full leadership team recruitment A permanent and stable leadership team is in place and established to provide crucial leadership across Children, Education and Families.	Good	Permananent team in place and established	Interim arrangements in place and working. All leadership roles have been successful in recruitment and will be in post in November & December 2023

Action Plans	**Assurance**	**Responsibility**	**Target Date**
1. Corporate response to Ofsted focused visit. Previous outline of establishing a strengthening services board, however there was little appetite for this from partners. Therefore, the children's improvement board will be focused on the key areas for development.	Essex SLI is being undertaken with frontline teams to establish key areas of development and strengths. In addition, the mapping of the child's journey from the front door has been ongoing and key improvements are being made	Martin Purbrick	30/09/2023
3. Delivery of the Safety Valve programme. On an ongoing basis, the Council will deliver its commitments made via the Safety Valve programme.	A working group led by the S151 officer and Director of Education has been established to ensure robust and a purposeful implementation of the safety valve	Jonathan Lewis	30/09/2023
4. SEND Review A peer review and an internal review of SEND undertaken jointly by the Education and Policy, Programme & Delivery teams.	This is an ongoing piece of work which will be presented in CLT during September 2023.	Jonathan Lewis	20/10/2023
5. Children's Placement Sufficiency. Work to manage the local market with support from Commissioning services is underway to support placement sufficiency for Cambridgeshire. This action is likely to remain ongoing.	Strategy has been updated; now into scoping the increased capacity required.	Martin Purbrick	31/12/2023

6. Recruitment of a permanent workforce As part of the children's improvement work, there is a focus on ensuring the recruitment and support of children's workforce.	Academy will be established to better support Apprenticeships, International workers and ASYE's. Work is ongoing to reduce agency staffing and encourage more permanent workforce in CEF.		29/12/2023
Review of key areas of Children's, Education and Families services Essex is supporting Cambridgeshire with a sector led improvement review of key frontline services to help understand their strengths and key areas for development.	Essex is supporting Cambridgeshire with a sector led improvement review of key frontline services to help understand their strengths and key areas for development. In addition, CCC is mapping the child's journey to improve the effectiveness and efficiency of responding to the needs of children and young people.		31/12/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	03. The Council does not have enough budget to deliver agreed short and medium term corporate objectives

Likelihood					
5					
4					
3			T	X	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Michael Hudson

Current Score	12
Target Score	9
Previous Score	12

Last Review	03/10/2023
Next Review	02/01/2024

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. The Council spends more resources than it has by the end of the year and does not have sufficient reserves to cover cumulative variances. 2. Policies, procedures or governance framework for budget setting and monitoring fail or are circumvented. 3. Non-compliance with corporate processes. 4. Demand management, prevention or service reform activity is insufficient. 5. Inflationary pressures and market failures / supply shortages lead to rising costs. 6. Staff without appropriate skills, knowledge, experience. Greater staff turnover. 7. The Council is a victim of major fraud, cyber crime or corruption. 8. Failure to meet Safety Valve agreed trajectory - Council has to fund DSG High Needs deficit or jeopardises DfE funds. 9. Lack of clarity regarding central government grant allocations.	1. Increased demand for services. 2. Economic/market conditions - shortage of supply of services. 3. Economic conditions - reduced income from fees/charges or taxation. 4. Changes to government funding; short term national planning. 5. Legislative and regulatory changes. 6. Partnership risks - additional costs or reduced funding in collaborations. Change programmes require additional short term risk. 7. Waste management reforms; Industrial Emissions Directive. 8. Home to School Transport and children's social care placements markets. 9. Credit loss on long term debtors.	1. Council issues a s114 report or requires capitalisation direction. 2. Breach of prudential code or capital strategy benchmark/indicators due to levels of borrowing. 3. The Council does not deliver its statutory responsibilities. 4. People do not receive the services to which they are entitled or require, and may be harmed as a result. 5. Reputational damage.

Controls	Adequacy	Critical Success	Assurance
01. Robust Business Planning process; demand/demography and inflation challenge.	Good	Continued support from CLT to act collectively to develop budget proposals which meet the financial challenge	
02.Robust service planning, priorities cascaded through management teams and through Our Conversations process.	Good	Staff have clarity of what is expected of them and deliver services within the available budget	
03. Integrated resources and performance reporting (accountable quarterly to SR&P Committee), tracking budget, savings, activity and	Good	Saving proposals delivered	
04.Operational division Finance Monitoring Reports (accountable monthly to Service Committees), tracking budget, savings, activity and	Good	Saving proposals delivered	
05. Scheme of Financial Management, including Budget Control Report for the Council as a whole and operational divisions	Good	Clear budget process, effective engagement with it and compliance	
06.Procurement processes and controls ensure that best value is achieved through procurement	Good	Realisation of procurement savings through competition. Basis for effective contract management and productivity	

		management and productivity.	
07.Budget challenge and independent advisory: Finance and budget managers at all levels of the organisation to track exceptions and identify remedial actions	Good	Meeting of financial targets and deadlines. Political engagement and approval	
08.Rigorous treasury management system plus tracking of national and international economic factors and Government policy	Good		
09.Rigorous risk management discipline embedded in services and projects	Reasonable		
10.Adequate reserves	Good	Reserves held at recommended level as per section 25 statement (4%)	
11. Integrated Financial Monitoring Report	Good	Received quarterly at S&R	
12. Anti-fraud and corruption policy	Good	Organisational awareness campaigns	
13. whistleblowing policy	Good	Organisational awareness campaigns	
14. Internal control framework	Good	Organisational awareness campaigns	
15. Fraud detection work undertaken by IA, Counter Fraud	Good	Organisational awareness campaigns	
16. Awareness Campaigns	Good	Organisational awareness campaigns	
17. Anti money laundering policy	Good	Organisational awareness campaigns	
18. Publication of transparency data	Good	Organisational awareness campaigns	

Action Plans	Assurance	Responsibility	Target Date
01. Engagement, development and submission of credible revenue and capital plans into safety valve process	Safety Valve secured and regular reporting will now be presented as part of the Budget Moinitoring reports. This position will continue to be reviewed but from the persepctive of Financial Planning the next key date is the assessment of risk to inform the S151 s25 assurance of reserves.	Michael Hudson Jonathan Lewis	13/06/2024
02. CLT work with councillors to present a balanced budget for 2023/24 and 2024/25, including regular monitoring and scr		Michael Hudson Stephen Moir	31/03/2024

03. Capital Programme Board and CLT full scrutiny and supervision of proposal and savings plan development.	These meeting continue and will inform the s151 Officer s25 risk assessment of reserves.	Michael Hudson Tom Kelly	12/02/2024
04. Programme management of financial reporting, as well as continued strengthening of the budget monitoring and setting	Provide assurances over the robustness of estimates and forecasts.	Michael Hudson	31/01/2024
05. Programme and project delivery governance: Waste Management; Energy income mobilisation		Michael Hudson Frank Jordan	01/04/2024

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

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

Likelihood

5					
4					
3				X	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Sue Grace	Current Score	12	Last Review	04/10/2023
		Risk Appetite	15	Next Review	03/01/2024
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Loss of large quantity of staff or key staff 2. Loss of key premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a key supplier 5. Loss of utilities or fuel 6. Decreasing resilience in CCC services due to ongoing financial constraints and cost reduction 7. Serious major external incident 8. Officer non-compliance with Business Continuity planning or processes 9. Co-operation and engagement of partners	1. Ongoing risk of environment hazards such as flooding and severe weather 2. Pandemic 3. Cyber Attack / Cyber Crime (see Risk 09) 4. Possible power outages caused by gas shortages 5. Resource issues due to shared service 'decoupling'	1. Inability to deliver services to vulnerable people, resulting in harm to them 2. Inability to meet legislative and statutory requirements 3. Increase in service demand 4. Reputational damage

Controls	Adequacy	Critical Success	Assurance
1. Corporate and service Business Continuity Plans Up to date business continuity plans available across the Council.	Reasonable	All services have up-to-date Business Continuity Plans which provide a clear and comprehensive plan for how services will respond in the event of a major/critical incident to minimise business disruption.	The Emergency Planning Team maintains a tracker of BC plan completion across the Council. Currently the team are working on reviewing BCPs and getting this up to date (see Action Plan).
2. Corporate communication channels in case of emergency. The Emergency Planning team work with Communications Teams in Cambridgeshire and Peterborough to respond to any emergency incidents. The Council's Emergency Messaging System allows contact with staff via SMS in the event of IT system disruption.	Good	The Council is able to communicate effectively externally and internally in the event of a major/critical incident.	The Emergency Planning team maintain a close relationship with the Communications team.
3. Cambridgeshire & Peterborough Local Resilience Forum The LRF allows multi-agency collaboration regarding local resilience issues. The LRF follows a clear process to allow agencies across the region to share information, plan and prepare for major incidents, and maintains a tactical response process.	Good	The Council is able to work effectively with other agencies across Cambridgeshire & Peterborough in responding to a major/critical incident.	Executive Director of Strategy & Partnerships sits on the LRF Board to represent Cambridgeshire County Council.
4. IT disaster recovery arrangements Up to date IT disaster recovery plans in place.	Reasonable	ICT downtime and disruption to front-line business is minimised in the event of an IT critical incident or loss of data.	Disaster Recovery tested thoroughly ahead of data centre move and then put into action 'live' during the data centre move in November 2021.
5. Resilient Internet feed	Good		"Considerable work undertaken to strengthen and improve resilience of network, high proportion of WFH for staff and Members can be sustained. Regular monitoring process and escalation"
6. Corporate Emergency Plan	Reasonable		Corporate Emergency Plans put into operation through recent incidents (2020/21 and 2021/22) including Flooding and Severe Weather. The CCC

		including Flooding and Severe Weather. The CCC Emergency Management Plan is currently being updated (June 2023) to reflect organisational changes.

Action Plans	Assurance	Responsibility	Target Date
Business Continuity Plan Testing Once the corporate review of BCPs is complete, the Emergency Planning team will re-implement a programme of service-level testing of BC plans and a corporate BC testing exercise.		Stewart Thomas	01/04/2024
Corporate review of Business Continuity Plans. Emergency Planning Team supporting service Business Continuity leads to review Business Continuity Plans.	The Emergency Planning Team maintain a tracker of corporate and service BCPs and are now reviewing and updating this to understand current completion and quality levels of service BCPs. BC Awareness sessions for Team Managers were launched in February 2023 to re - establish contact with BC leads and sessions are currently booked in with Directorates to December 2023. The Emergency Planning Team took part in Worldwide 'Business Continuity Awareness Week' in May 2023 run by the Business Continuity Institute with internal communication & promotional material sent to staff.	Stewart Thomas	31/01/2024
Internal Audit of Business Continuity Planning		Mairead Claydon	31/01/2024
IT Disaster Recovery Exercise		Michael Hudson	31/12/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	05. Failure of corporate governance

Likelihood

5					
4					
3					RA
2					X
1					
	1	2	3	4	5

Consequence

Risk Owners	Emma Duncan	Current Score	10	Last Review	03/10/2023
		Risk Appetite	15	Next Review	01/01/2024
		Previous Score	10		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Major business disruption. 2. Lack of management oversight. 3. Negative inspection judgement . 4. Poor financial management. 5. Insufficient finance. 6. Personal Data is inappropriately accessed or shared. 7. Lack of awareness of or preparedness for legislative changes. 8. Lack of clear corporate policy framework. 9. Officer non-compliance with policy framework.	1. Current local financial pressures. 2. Ongoing national reduction in public sector funding. 3. Changes to statutory/Legislative duties. 4. Current major corporate restructures and service change. 5. Increasing instances of Councils not able to meet expenditure commitments due to pressures in the local government sector.	1. Harm to people as a result of them not getting services they need or are entitled to. 2. Criminal or civil action against the Council. 3. Negative impact on Council's reputation. 4. Lack of control over financial or operational delivery. 5. S114 Report or Public Interest Report. 6. S5 Report.

Controls	Adequacy	Critical Success	Assurance
01. Monitoring Officer role.	Good	Lack of or reduced risk of successful legal challenge to decision making.	Monitoring Officer attends all CLT meetings. MO sign-off on all legislative changes and legal implications on Committee papers.
02. Annual Governance Statement (AGS).	Good	AGS process ensure that the Council reviews the effectiveness of its corporate governance arrangements and its compliance with the corporate governance framework.	Annual Governance Statement published as part of Statement of Accounts.
03. Code of Corporate Governance (CoCG).	Good	Annual review of the Code of Corporate Governance provides assurance that the Council has a robust governance framework in place.	Code of Corporate Governance updated annually on the external website.
04. Business Planning process used to identify and address changes to legislative/regulatory requirements	Good		
05. The Council's Constitution, including Scheme of Financial Management, Contract Procedure Rules, Scheme of Delegation etc.	Good	Officers and Members comply with statutory obligations	
06. Corporate Complaints procedure and response to Local Government & Social Care Ombudsman reviews.	Good	The Council can identify and respond to any breaches of legislative or statutory obligations.	
07. Service managers kept up to date with changes by Monitoring Officer / Pathfinder, Government departments, professional bodies, involvement in regional and national networks	Good	Lack of or reduced risk of successful legal challenge to decision making	
08. New Committee report template and process developed following the Governance Review.	Good	Committee papers and key decisions are scrutinised to identify any statutory/legislative impact	Sign-off by key officers is evidenced in Committee paper appendices.

Key statutory and legislative considerations in Committee reports are highlighted in sufficient detail and signed off by key officers prior to submission to Committee.		impact.	
09. Roles of Statutory Officers. inc. Head of Paid Service, Section 151 Officer, Director of Adult Social Services, Caldicott Guardian, etc.	Good	Active postholders for all statutory roles for the Council.	
10. Statutory Officers Group Statutory Officers Group meetings to discuss corporate governance arrangements and issues, and to reflect on recurring themes relating to Council improvement.	Good	Regular scrutiny of corporate governance by senior officers.	
11. Performance Management Framework Performance management is a tool that allows us to measure whether we are on track to achieve our corporate priorities. If we are off-track, we change our activities to improve service delivery, value for money and the outcomes people experience.	Reasonable	Clear information on organisational performance against objectives provided in a timely way to decision-makers.	Performance reporting to Committees and CLT.
12. Corporate Clearance Group The Corporate Clearance Group has been established to ensure draft reports receive sufficient corporate review prior to being submitted to Committee.	Good	All Committee reports are subject to corporate scrutiny and challenge to ensure that Committee decisions are taken on the basis of sufficient, robust information.	A report tracker is in place to verify that reports on Committee forward plans are received and reviewed by the Corporate Clearance Group.

Action Plans	Assurance	Responsibility	Target Date
01. Corporate Response to the Covid Public Inquiry.			31/03/2023
02. Implement Action Plan from Annual Governance Statement.	Implementation to be reviewed on an ongoing basis by Statutory Officer Group.	Emma Duncan	31/03/2024

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	06. The Council's workforce is not able to meet business need

Likelihood					
5					
4					
3					X/RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Janet Atkin	Current Score	15	Last Review	05/10/2023
		Risk Appetite	15	Next Review	03/01/2024
		Previous Score	15		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Skills shortage in key areas including partners. 2. Employee retention beneath optimal leading to unhealthy level of turnover. 3. Low levels of employee engagement. 4. Failure to achieve a healthy organisational culture and environment. 5. Ineffective or inadequate workforce planning. 6. Financial pressures mean the Council is not able to offer pay in line with the market. 7. Decline in Council's reputation as an employer. 8. High absence levels. 9. Inability to recruit and develop staff 10. Organisational change 11. Working days lost to strike action/ industrial action	1. Cost of living is increasing at a rate that is causing major concern for many of our workforce. 2. Acute skills shortage in key areas including partners. 3. Increased challenges across all areas of the council's functions in recruiting. 4. Changing expectations regarding how and where staff want to work. 5. The extent and scale of change programmes being undertaken across the Council including the separation of services across CCC and PCC can heighten the likelihood of disruption and challenge with motivation and engagement. 6. Significant demand in services. 7. Increased workplace expectations of employees	1. The Council is unable to recruit & retain staff with the right skills and experience. 2. Failure to deliver effective services or Council objectives. 3. Reputational damage to the Council. 4. Low morale and negative impact on staff wellbeing. 5. Expenditure on costly interims or agency staff. 6. Workforce lacks relevant skills, knowledge and training and is not continually developed.

Controls	Adequacy	Critical Success	Assurance
A. Fair Recruitment Policy. A Children's Workforce Board has been re-established under the leadership of the new DCS to focus on workforce challenges including recruitment. This meeting continues to focus on key areas of challenge and concern, engaging with our providers of agency workers as well around hard to fill posts to identify opportunities to improve candidate attraction.	Good	Staffing levels support service delivery.	Outcomes of actions from Recruitment and Retention Board.
B. Regular Employee Engagement Surveys established to identify and respond quickly to emerging issues and concerns. Full independent employee engagement survey carried out in September 2023 and will be re-run every three years moving forward. A number of key topics have been covered and going forward will be revisited annually including Wellbeing; Equality, Diversity and Inclusion, and How We Work. The results of these engagement surveys are discussed with CLT for an action plan to be signed off and published on Camweb clearly setting out the organisational commitment to matters raised.	Good	Employee Engagement is demonstrated through employees seeing the value of and therefore contributing to these opportunities to shape the organisation as an employer.	CLT see results of engagement surveys and agree action plans to respond to the survey.
C. 5 year People Strategy, endorsed by Members with accompanying action plan to ensure the right focus on recruitment, retention and talent management. New People Strategy has been launched and has a clear focus on the shifting employment market and employment challenges that the Council faces, to establish clear plans for the workforce.	Good	Clear workforce plan in place for the Council.	Success of the People Strategy is measured through employee engagement surveys and feedback from key services/exit interviews. Additionally, an annual report is presented to Staffing and Appeals Committee.

D. Dedicated Recruitment Team supporting the whole Council. Targeted recruitment campaigns and new e-recruitment system. The team engage with services to understand the specific and differing challenges that they face and target recruitment campaigns accordingly, as well as maximising usage of social media channels. A new e-recruitment system has been implemented (in last 12 months).	Good	The Council is able to recruit staff with the right skills and experience.	Impact of recruitment campaigns is reviewed by the Recruitment Board. Decisions on spending on major recruitment campaigns are approved by the Board. Ongoing recruitment project has an emphasis on recruiting managers acting as Council ambassadors and not just focusing on their own area/vacancy, to
E. Appraisal system linked to performance management	Good	Staff retention is enhanced.	Directorate-level review of outcomes followed by CLT review of appraisal and performance outcomes.
F. Role of HR Business Partners. HR Business Partners work with services to anticipate and meet demands within service areas. BPs attend management meetings and meet Service Directors regularly.	Good	Services are supported in successful recruitment, engagement, development and retention of staff.	Feedback from HR Business Partners regarding organisational engagement.
G. Annual report to Staffing and Appeals Committee Reports are delivered to Staffing and Appeals Committee in February each year setting out a clear review of the workforce profile and activity during the year as well as key policy changes, employee engagement activity and an update around employee wellbeing.	Good	Impact of workforce policies and engagement is measured and evaluated to inform future policy development.	Report is taken to Committee in February.
H. Report on quarterly basis to CLT and to management teams on workforce and performance. CLT received monthly reports on Health, Safety and Wellbeing. Quarterly dashboard reports on workforce matters including absence and turnover are provided to Directorate Management Teams for them to keep a focus on their workforce profile and any emerging or potential concerns.	Good	CLT and Directorate Management teams are able to identify and address any emerging or potential concerns.	Reports are provided to DMTs quarterly.
I. Use of Consultants Policy and Interim & Agency Workers Policy.	Reasonable	Hiring managers use appropriate and compliant routes to market to obtain interim, agency staff and consultants.	Regular reporting on use of consultants, interims and agency staff to CLT and Audit & Accounts Committee. Internal Audit review of Use of Consultants & Interims planned for 2023/24. Consultancy policy ownership has transferred to Procurement. Head of Procurement and Head of HR have ben attending Management Team meets within services to raise awareness of these policies and to discourage any procurement of staff/workers without
J. Agency Staff framework with Opus.	Good	Hiring managers use Opus as an accessible and cost-effective route to market for agency staff and as a provider of the skills and expertise we need to reach through our joint venture.	HR team manage Opus contract. Opus reporting has improved significantly with implementation of weekly returns for Social Care, Adults and Children's and monthly returns for other services. HR Advisory have introduced a reconciliation of returns to services to confirm accuracy of reports
K. Well established consultative framework with trade unions. Chief Executive joins the meetings on a regular basis.	Good	Well established and positive relationships enable constructive discussions with trade union colleagues around any challenging workforce related matters, as well as an opportunity to gain valuable insights and contributions to help shape policy development	

L. New Learning & Development platform and work of the Learning & Development team.	Good	Staff are able to access targeted learning and development opportunities and the Council can monitor training undertaken.	Rates of training completion.
M. Equality Diversity & Inclusion Working Group. EDI Working Group meets monthly to discuss EDI issues and engage staff across the organisation.	Good	The Council has a strong culture of equality, diversity and inclusion which supports staff engagement and retention.	Staff feedback in EDI engagement surveys and exit interviews.
N. Employee Wellbeing offer and new Employee Engagement & Wellbeing Advisor post.	Good	Staff are supported to maintain wellbeing, reducing absence and supporting employee engagement and retention.	Staff feedback in Engagement Surveys and exit interviews.

Action Plans	Assurance	Responsibility	Target Date
Children's Workforce Improvement Programme. Programme to address challenges in children's workforce retention and recruitment, launched in September 2022 and led by Chief Executive. This piece of work has broadened in scope. Target date revised to reflect this - March 24.		Janet Atkin	30/03/2024
The values and behaviours framework will be reviewed in line with the next iteration of the People Strategy. The People Strategy was approved in May and work is underway to develop an action plan and review of Values		Janet Atkin	31/12/2023
Work with the service directors to create a comprehensive L&D framework to support the wider People Strategy. Can only be completed once People strategy in place and agreed therefore target date to be aligned – December 23.		Janet Atkin	31/12/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	07. Failure to Deliver Key Council Services

Likelihood					
5					
4					
3					RA
2					X
1					
	1	2	3	4	5

Consequence

Risk Owners	Stephen Moir	Current Score	10	Last Review	03/10/2023
		Risk Appetite	15	Next Review	01/01/2024
		Previous Score	10		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
01. This risk may be triggered by the realisation of any of the other risks on the Corporate Risk Register: - Failure of safeguarding arrangements (Risks 1 and 2) - Failure of financial management (Risk 3) - Impact of a major/critical incident (Risk 4), cyber attack (Risk 8) or climate change (Risk 12) - Failure of corporate governance (Risk 5), key contracts (Risk 10) or partnership and collaborative working (Risk 11) - Insufficient workforce (Risk 6) - Failure to comply with Information Governance legislation (Risk 9) 02. Changing county demography and high levels of growth create pressure on Council resources and increase the risk that funding does not match demand; this may also be exacerbated by weak demand management process within the Council. 03. Failure to identify changing policy or legislation, or an inability to respond to changes in policy or legislation. 04. Failure to develop, effectively communicate and implement clear Council strategies and service plans, including the Business Plan. 05. Insufficient corporate oversight of performance. 06. Non-compliance with corporate policies and procedures. 07. Failure of arrangements for health and safety.	01. Changes to local authority finance and funding regime. 02. High levels of growth in Cambridgeshire outstripping predictions and creating increased demand for key services. 03. Pandemic 04. Current high rate of organisational change and consultations. 05. Economic uncertainty due to national and international events 06. Local Elections 07. Service provider unable to continue service (if not managed under Risk 10)	01. Harm or risk to vulnerable people. 02. Statutory penalties. 03. Reputational damage to the Council. 04. Government or regulatory intervention. 05. Financial consequences.

Controls	Adequacy	Critical Success	Assurance
1. Role of the Corporate Leadership Team (CLT) CLT have a leading role in ensuring that the Council delivers key services and legislative requirements. Individual directors have performance plans setting out required service delivery in their areas.	Good	CLT meet weekly and have agenda'd time to discuss emerging or urgent matters, as well as monitoring KPIs, budget and the Corporate Risk Register.	Council Directors complete Directors Assurance Statements for the Annual Governance Statement providing assurance over the control of risk and compliance with corporate governance requirements in their area.
2. Strategic Framework & Business Plan A clear corporate strategy and strategic framework feeding down into service plans, medium term financial strategy etc.	Reasonable	The Council's Strategic Framework should clarify the Council's aims with regards to service delivery to officers and Members.	
3. Role of Council Committees	Good		

Cross-party decision-making in Council Committees provide oversight and challenge to decision-making, policy-making and performance of Council services.			
4. Systems providing oversight of Council performance and service delivery. The Council's Performance Framework and Key Performance Indicators, along with associated systems for identifying performance issues such as the Complaints Procedure and Feedback Policy, provide corporate oversight of performance and delivery of key services.	Reasonable	Senior management and Members have accurate and timely overview of Council performance.	
5. Demand forecasting. The Council operates forecasting mechanisms to inform budget setting and long-term planning. This includes placement sufficiency processes to inform provision of school and early years places.	Good	The Council has an accurate view of likely demand for services in the short and long term.	

Action Plans	Assurance	Responsibility	Target Date
1. Redevelopment of the Council's Performance Framework.		Sue Grace	31/12/2023
2. Review of corporate approach to Business Planning and budget planning, Strategic Framework and service planning.		Sue Grace	31/12/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	08. The Council is a victim of cyber crime.

Likelihood					
5			X		
4					
3					RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Michael Hudson	Current Score	15	Last Review	04/10/2023
		Risk Appetite	15	Next Review	03/01/2024
		Previous Score	15		

Triggers

01. Data loss
02. Denial of IT services
03. Malware attack
04. Phishing attack
05. Ransomware attack
06. Telephone Toll Fraud
07. Major vulnerability
08. DR for IT Services
09. Data mishandling/breach
10. Training arrangements fail
11. Password attack
12. SQL injection attack
13. Monitoring does not identify threats
14. In-house expertise/resource is stretched/reduced
15. Outdated or unpatched systems

Likelihood Factors (Vulnerability)

01. Increasing malicious attempts from various sources
02. Malicious Emails to staff increasing
03. Non-compliance by staff or partners with IT Security policies

Potential Consequences

01. Regulatory breach subject to ICO action, reputational harm to the Council and disclosure of private information.
02. Inability or degradation in the ability of Council staff to access any computer based service hosted outside of the Council network. It will most likely also impact any services that the council hosts for access by the public. Finally it would also impact any VOIP services operated by the council.
03. Infection of Council systems by malware, causing a degradation of Council systems.
04. Credentials and/or data being made available to unauthorised third parties. This could result in ICO action, reputational damage to the Council and the unautorised release of confidential information.
05. Loss of access to Council data, a financial ransom to recover access, reinstallation and restore operations to recover access, release of confidential data, reputational harm and ICO action. The exact impact will depend on how well mitigation reduce the impact of the attack.
06. Financial loss for the Council. The Council may also suffer reputational damage or information loss risks if the breacher of the system attempts to impersonate the Council.
07. Systems are exploited by using known\unknown vulnerabilities.
08. There is a risk that the functionality of the new DR solution has not taken place since implementation in August 2021 November 2021 and a retest will be required to provide assurances following platform changes. The consequence of not retesting is that if there is an incident which requires DR to be invoked it will

Controls	Adequacy	Critical Success	Assurance
01. Phishing detection and prevention controls	Good	Phishing attempts are prevented or detected and dealt with.	The service confirmed that multiple layers of Phishing detection are in place and these will delete or mark messages as appropriate. External

			messages are also marked as such as they contain a higher risk of Phishing. Multifactor authentication is used to reduce the likelihood of successfully exploiting Phished credentials. A simulation phishing exercise was completed in May 2022 which resulted in 178 users entering their password/credentials, which equates to 2.47% of the total delivered emails. Targeted training was offered to these individuals
02. Vulnerability detection and mitigation controls	Good	Vulnerabilities are identified internally and externally and patched in a timely manner – 14 days for vulnerabilities rated high or critical on the CVSS scoring system.	Firewall, Email, Website access and end-device technical controls are used to eliminate or reduce the risk on known\unknown vulnerabilities from being exploited. NCSC Early Warning, WARP and other third-part intelligence source are used to identify vulnerabilities as soon as possible. There has been no action required or vulnerabilities detected from last 6 Months of WARP Threat Roundups. No NCSC Early Warning threat has been received since 16/12/2021. Other information and web sources are also monitored by the service on a regular basis to identify potential vulnerabilities. Additional assurances can be provided via progression of PSN Remediation Action Plan and outcomes of DLUHC (Department of Levelling Up) testing
03. Disaster Recovery Testing	Reasonable	Schedule of DR testing and reporting of outcomes.	The last DR test occurred as part of the data centre move in November 2021. A failover was successfully completed in March 2022 at Sand Martin House Data Centre. If DR is invoked systems will be available however platform system changes will require DR to be retested to ensure performance and functionality is available in the new environment.
04. Robust policies and procedures including the new IT Strategy and the existing Information Management & Governance policy framework.	Good	Accessibility and awareness of comprehensive, up-to-date IT and Cyber security policies and guidance.	Upcoming implementation of the new IT Strategy, toolkit materials and review of current policy suite. New IT strategy is being based on the National Strategy and will show how the service will support the 5 objectives: Manage, Protect, Detect, Minimise and Develop. A new toolkit has also recently been procured - ISO27001, PCI DSS and Cyber Essentials and these materials further strengthen this control.
05. Staff training on the correct handling of private data, and to use technical controls available to the Council to enable this.	Good	Completion of e-learning and delivery of sessions at Council wide sessions, such as Cambridgeshire	Cyber Security E-learning has sufficient coverage, but completion levels require improvement. A council

		Conversations	wide one-hour Cyber Griffin session is planned to be delivered by the City of London Police on the 22nd March 2023. Up to 1,000 staff can join the training session
06. Use multiple layer of anti-malware protection on Firewalls, email and end-points to prevent malware with frequent signature updates.	Good	Anti-malware protection	Malware protection is provided by Trend Micro Apex One (contract ends 23/3/24), Microsoft 365 (rolling Monthly Contract) and PaloAlto (MLL Eastnet Contract).
07. Use technical controls to limit access to the Council VOIP system to the UK only.	Good	VOIP system access control and usage reports	Normal usage is monitored by the provider and Council staff so that any deviation from normal use patterns can be identified and alerted.
08. Use the automated denial of service mitigation service provided by our wide area network provider MLL. This will inform us of any denial of service attempts and mitigation activities.	Good	MLL monitoring notifications	The service has never received a DOS or DDOS warning from MLL since established there was a process in place.
09. Cyber Security Board and Technical Group	Good	Regular meeting and reporting on cyber security	The purpose of the Cyber Security group is to ensure that IT best practice security is monitored and managed uniformly across CCC and PCC, defining the secure use and management of our IT systems.
10. Information Governance Management Board	Good	Regular meeting and reporting on cyber security arrangements and actions.	The IMB provides advice and guidance on all elements of IM/IG. This includes leading on cyber security arrangements.
11. ITDS Recruitment Campaigns	Good	The service retains and develops workers with IT specialisms.	Team currently has 3 qualified CISP officers and apprenticeship routes are established.
12. IT Business Continuity Planning processes	Reasonable	BCP in place for IT and service specific IT risks are considered in other service's BCP	An LGSS IT BCP from 2018 was provided to audit by Emergency Planning. No current version is in place but work is ongoing with Emergency Planning to get in place.
13. ICT Security Procurements	Reasonable	Due diligence processes are adhered to when making IT procurements to ensure the Council's IT security systems are not compromised	RFQ sets out standard procurement requirements however this process is under review.
14. Information Risk Owner role; Data Protection Officer role; Caldicott Guardians	Good	Defined responsible officers are in place	Defined within the Information Governance Framework.
15. Performance monitoring – corporate IT KPIs on IT Security	Good	Performance Monitoring is regularly undertaken to ensure IT security arrangements are sufficient	No assurances at present. TBC.
16. Communication strategy	Good	Ad-hoc communications and publicity work to raise awareness of IT security	Internal engagement team publishes ad-hoc and reactive comms regarding IT security. Further comms work include Cambridgeshire Conversations
17. Limitations to FOI requests	Good	Limitations on details the Council can release in FOI answers in relation to council system infrastructure	New process established to restricting level of detail given in FOI requests in regards to Council IT infrastructure as not to expose Council to cyber risk.

Action Plans	Assurance	Responsibility	Target Date
01.Business Continuity Plan for IT services to be developed with Emergency Planning	Currently in progress		30/03/2024
02.Corporate IT Security KPIs and reporting to be developed – such as Cyber Security and IG e-learning training complet	Currently in progress, however initial perspective is that there will be a single KPI on training. With additional reporting and dashboards being produced to report on the estate as this is a continually moving feat.		30/03/2024
03.PSN Remedial Plan, completion of all outstanding actions	Last few items remain, on target to complete		31/10/2023
04. DR retesting to be scheduled	Will be scheduled in once SAN replacement procurent has been finalised and will be included in one of the tasks within the implementation	Michael Hudson	30/12/2023
05. Ensure DPIAs are completed for all systems (where they have not already been completed)		Ben Stevenson	31/03/2024
06. Review partnership arrangements where data is either being processed or controlled on our behalf, or where we are ho			31/03/2024
07. Partnership Directory. Create a partnership directory to understand our relationships with partners and the responsibilities of either party			31/03/2024
08. Apply lessons learnt from recent cyber attack.			31/03/2024

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	09. The Council fails to comply with Information Governance legislation and industry standards

Likelihood					
5					
4					
3				X	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Emma Duncan	Current Score	12	Last Review	15/09/2023
		Risk Appetite	15	Next Review	30/12/2023
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. High staff turnover and use of agency and interim staff. 2. Out of date IT systems or staff failure to install patches. 3. Cybercrime and phishing attacks. 4. Lack of training/awareness among staff. 5. Insufficient physical security of buildings. 6. Staff removing physical records from the office.	This risk is closely linked to Risk 08, 'the Council is a victim of cybercrime', and IT security vulnerabilities will increase the likelihood of a breach of Information Governance legislation.	There is a risk that a lack of oversight and control of information management leads to information being mis-handled, which would expose the organisation to: * Legal action/Information Commission Officer involvement. * Damage to the reputation of the council and adverse publicity. * Complaints. * Data subjects suffer loss, detriment and distress as result of poor management of data. This will include records management, contractual obligations, case management, training and awareness.

Controls	Adequacy	Critical Success	Assurance
01. Mandatory data protection and security training for all staff	Good	95% of staff have undergone online training or face to face training dependent on risks faced.	Quarterly reports on training completion rates.
02. Use of Data Protection Impact Assessments (DPIAs) in all projects and procurements	Good	Register of DPIAs identifies which have seen a DPIA completed, signed off and managed. Ongoing review of DPIAs so it is not a one off assessment.	Ongoing review and creation of register.
03. Regular communications to all staff and at key locations (e.g. printers)	Good	CamWeb used to promote key messages in a structured and engaging way each quarter. IG attend DMTs on a quarterly basis to hear of issues and resolve problems.	Annual report to Joint Information Management Board.
04. Information Management Board, chaired by senior info risk owner (CLT member), with representative of all directorates along with DPO and both Caldicott Guardians. Board oversees IG and cyber security activity	Good	Board meetings to be held every quarter and led by CLT members.	Quarterly meetings and IM Board reporting.
05. A comprehensive set of information and security policies.	Good	Policies reviewed and refreshed annually with redundant documents removed.	Annual report to Joint IM Board.
06. Established procedure for notifying, handling and managing data breaches	Good	Compliance with policy and clear reporting on breaches.	Report to CLT on a six-monthly basis on breaches and impact. Report to Joint IM board on a quarterly basis. Chief Exec and director notified of high-risk breaches.
07. Subject Access Requests responded to within the statutory timeframe.	Good	Targeting compliance rate of 90% SARs completed within statutory timeframe.	Quarterly report of progress towards 90% within statutory timeframe to both Strategy & Resources Committee and Joint IM Board.

			Committee and Joint IM Board. Six monthly report to CLT.
8. FOI responses issued within the statutory timeframe.	Good	Targeting compliance rate of 90% FOIs completed within statutory timeframe.	Quarterly report of progress towards 90% within statutory timeframe to both Strategy & Resources Committee and Joint IM Board. Six monthly report to CLT.

Action Plans	Assurance	Responsibility	Target Date
Awareness and communications regular updates via Cambweb, DMTs and conversations to keep awareness levels up	Visibility on Cambweb	Ben Stevenson	31/03/2024
Completion of NHS DSP Toolkit Ensures areas of compliance considered and how met for Public Health and Adult	Publication of toolkit and any audits	Ben Stevenson	31/12/2023
Implement learning from incidents Ensure that processes are reviewed and trends analysed	Lack of repeat incidents in service areas where processes are reviewed and changed	Ben Stevenson	31/03/2024
Mandatory training Training to be delivered annually to all staff, relevant to services anf councils	BI reports to identify non completers Raised with directors and CLT to ensure completion Annual training	Ben Stevenson	31/12/2023
Review of IG policies Annual review of policies and updating to ensure best practice shared	Published policies approved by IM board	Ben Stevenson	30/10/2023

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	10. Failure of key contracts.

Likelihood					
5					
4					
3			T	X	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Michael Hudson	**Current Score**	12	**Last Review**	29/09/2023
		Target Score	9	**Next Review**	28/12/2023
		Previous Score	12		

Triggers

01. Different partnership arrangements and/or contracts have conflicting aims or priorities.
02. Large scale handback / collapse of major suppliers for economic/profitability reasons
03. Supply chain failure and/or significant cost increases in supply chain or CPI.
04. The Council fails to identify key/business-critical contracts.
05. Lack of robust, formally agreed contract documents to set deliverables, performance and governance arrangements for all key contracts.
06. Failure to compliantly procure key contracts leads to legal challenge.
07. Contracts lack clear corporate owners; or contract owners have a conflict of interest between their CCC role and external interests.
08. Contracts fail to drive desired deliverables/outcomes through appropriate penalties/rewards.
09. Lack of in-house contract management expertise.
10. Third party fraud committed by or against suppliers and/or internal fraud or corruption in collusion with suppliers.
11. Relationship breakdown with key contractors, potentially leading to a legal dispute.
12. Heavy reliance on single suppliers leading to lack of a diversified supply chain.
13. Policy or leadership changes in central government.

Likelihood Factors (Vulnerability)

01. Uncertainty and major change programmes underway within the Council.
02. Significant economic and inflationary volatility.
03. Industrial Emissions Directive and the Best Available Techniques conclusions (BATc).
04. Capacity and experience to deliver robust contract and supplier relationship management for key contracts.
05. Understanding of market conditions for the specific markets in which the key contracts sit.

Potential Consequences

01. Financial impact of credit loss or default on monies owed.
02. Revenue impact of increased costs or reduced income returns.
03. Interruption to outcomes and service delivery.
04. Construction quality and health & safety matters.
05. Reputational damage.
6. Failure to fulfil statutory duties.

Controls	Adequacy	Critical Success	Assurance
01. Contract Procedure Rules and associated guidance and training.	Good		
02. Contracts Register.	Good		
03. Procurement Governance Board.	Reasonable		
04. Business Continuity Planning processes.	Poor		
05. Head of Diligence & Best Value role.	Reasonable		

06. Corporate due diligence processes.	Good		
07. Declarations of Interest processes within the Codes of Conduct for officers and members	Reasonable		
08. Corporate process for identifying key partnerships and contracts.	Reasonable		
09. Budget monitoring and forecasting processes.	Good		
10. Contract Management Toolkit in place. Contract management training is delivered to key contract managers via the Government Commercial Function.	Good		

Action Plans	**Assurance**	**Responsibility**	**Target Date**
01. Business Continuity strengthened	This should be carried out by all service managers with support and constructive challenge from Procurement & commercial and Emergency Planning.	Stewart Thomas	31/12/2023
02. Develop clear definition of the term ‘key contract’ with reference to the contract risk assessments already under wa		Clare Ellis	31/12/2023
03. Implement additional support for key contracts including from a business continuity perspective.		Clare Ellis	31/03/2024
04. Implement the new Sustainable Procurement Strategy		Clare Ellis	31/12/2024
05. Undertake regular Contract Register reviews to ensure that new ‘key contracts’ are captured by the process above.		Clare Ellis	31/03/2025

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	11. Failure of collaborative working.

Likelihood					
5					
4			T		
3				X	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Sue Grace

Current Score	12
Target Score	12
Previous Score	12

Last Review	28/09/2023
Next Review	28/12/2023

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
01. Different partnership arrangements have conflicting aims or priorities. 02. The Council fails to identify and manage key/business-critical partnerships. 03. Lack of robust, formally agreed partnership agreements or equivalent to set scope, deliverables and governance arrangements for all key partnerships. 04. Partnerships lack clear corporate owners; or partnership owners have a conflict of interest between their CCC role and external interests. 05. Partnership agreements fail to drive desired deliverables/outcomes. 06. Relationship breakdown with key partners, potentially leading to a legal dispute. 07. Policy or leadership changes in central government or local partnership organisations. 08. Lack of transparency regarding the operation of key partnerships.	1. Uncertainty and major change programmes underway within CCC and partner organisations. 2. Restricted budgets across sector, coupled with significant economic and inflationary volatility. 3. Current negotiations regarding LD pooled budgets.	01. Financial impact of partnership failure particularly where budgets are pooled. 02. Revenue impact of increased costs or reduced income returns. 03. Interruption to outcomes and service delivery. 04. Reputational damage. 05. Failure to fulfil statutory duties.

Controls	Adequacy	Critical Success	Assurance
01. Partnerships Advice & Guidance Document.	Poor	Clear guidance is available to Council officers and members on operating effectively in partnerships.	The Council's Partnerships Governance Advice & Guidance document is currently under full review (see Action Plan)
02. Grants to Voluntary Organisations Policy.	Good	Officers have clear guidance on how to manage award of grant monies effectively, to ensure that grants achieve best value and are awarded to partners who are able to deliver the agreed objectives	Grants Policy is due for Internal Audit compliance review in 2023/24 (see Action Plan).
03. Appointments to Outside Bodies Process	Good	Officers and Members have guidance on the law around serving on external bodies, and Democratic Services maintain a record of Member appointments to outside bodies.	Democratic Services produce an Annual Report on Member Representation on Outside Bodies.
04. Council's Strategic Framework	Good	Clear statement of our Vision and Ambitions as a basis for our collaborative working.	Strategic Framework as approved at full Council in February 2023 as part of the budget setting process
05. Regular liaison with key partners ICS, CPCA, District & City Council, CAPALC (Cambs & Peterbr' Association of Local Councils), CPSB (Cambs & Peterbr' Strategic Board).	Good	Partners are clear about where they can work together for the benefits of the communities of Cambridgeshire	CLT regular review of strategic partnership activity and how this contributes to the Council's ambitions.

Action Plans	Assurance	Responsibility	Target Date

01. Review and update Partnerships Advice & Guidance document linking in to the Appointments to Outside Bodies Process.	Document review has started and is in progress, will include Democratic Services and other key stakeholders. Review and update of document to be completed before end of 2023, with final sign off in January 2024.	Sue Grace	31/01/2024
02. Conduct a fact-finding exercise to review our key partnerships, engagements and collaborative work.	Plan agreed for fact-finding, strategic partnerships are starting to be identified and initial work started. Fact-finding to be carried out over October-December 2023, will be informed by direct engagement with services as well as by risk and dependencies information in service plans coming out of Business Planning.	Sue Grace	31/01/2024
03. Identify opportunities for collaborative working around shared ambitions with our key partners	This is ongoing with several key partners already well engaged. Recruitment to the project manager post for Decentralisation/Closer to Communities pilots is complete. This will aid in identifying more opportunities.	Sue Grace	31/01/2024

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk	12. Climate Change

Likelihood

5					
4				X	
3				T	RA
2					
1					
	1	2	3	4	5

Consequence

Risk Owners	Frank Jordan	**Current Score**	16	**Last Review**	05/10/2023
		Target Score	12	**Next Review**	27/12/2023
		Previous Score	16		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1.Carbon reductions are not realised across the Council and Cambridgeshire. 2. Internal skills, knowledge and resources not availble to address the issue 3. Partnerships not effectively managed. 4. Government climate and environmental regulation and strategy amended. 5. Availablity of funding . 6. Projects to deliver carbon reductions and/or biodiversity enhancement not delivered 7. Carbon reduction and biodiversity enhancement is not appropriately embedded into the organisation's service delivery mechanisms. 8. Supply chain insufficiently developed to deliver low carbon solutions and/or biodiversity enhancements at pace, scale and price to deliver the CCES in Cambridgeshire. 9. Behavioural change required in communities and/or workforce is not realised. 10. Insufficient awareness from staff and Members of key policies and procedures.	1. Increased demand on services reduces capacity to deliver the strategy. 2. Need to balance competing priorities. 3. Revised legislation/regulation. 4. Supply chain weaknesses – increases costs and risks for the Council. 5. Global competition for resources drives significant macro-economic changes to markets e.g. Ukraine war, Covid. 6. New technologies and innovations are complex to implement in current economic environment. 7. Inflationary pressures. 8. Changes to government funding regimes and/or approaches.	1. Failure to deliver statutory duties and legislative requirements. 2. Significant political and reputational damage to the Council for not acting on the climate emergency that has been declared. 3. Significant longer-term risks and costs to health, society, economic and financial position of the County and the Council if mitigation and adaptation measures are not effective. 4. Resilience of services at risk due to climate impacts impeding Officers and/or service users delivering or accessing services. 5. Legal challenge on the Council's failure to deliver the Council's targets.

Controls	Adequacy	Critical Success	Assurance
01. Council policy on the CCES and action plan in place to guide decarbonisation and nature recovery priorities	Good	CCES approved and first mobilisation plan in place.	Annual review of action plan and CCES targets.
02. Implementation of the Phase 1 Net Zero Enabling Programme to improve knowledge, skills, governance and resource capacity.	Good	Governance established feeding directly into Corporate Leadership Team (CLT). Recruitment underway to increase capacity. Phase 2 and Phase 3 mobilisation programmes developed	Decarbonisation plans in place for high carbon emitting areas. Improved data integration for dynamic reporting on annual carbon budgets.
03. Performance management - Annual Carbon Footprint Report and monitoring of progress against CCES targets.	Reasonable	Baseline assessments in place for carbon and biodiversity. Forecast annual carbon budget.	Annual carbon footprint published. Trajectory to NJet Zero by 2030 reviewed.
04. Quarterly reporting to CLT on progress with the CCES by the Executive Director Place & Sustainability.	Reasonable	Reporting template agreed and started from October 2022.	Quarterly reports on CLT forward agenda.
05. Delivery and Programme Management of the CPCA Climate Change Action Plan.	Reasonable	CCC puts in place a delivery programme to support the CPCA. CPCA puts resources in place to deliver the action plan.	Reporting to the CPCA Climate Working group and the Independent Commission for Climate.

		to deliver the action plan.	
06. Continued involvement in various strategic partnerships/collaborative spaces to feedback information and establish collaborative working approaches e.g. Local Climate Change Officers Group, UK100, ADEPT, UKPN Innovation Teams, Biodiversity Officers group, Fenland SOIL.	Reasonable	Sharing best practice for policy and delivery improvements.	Reporting via the Climate Change and Environment Board.
07. Climate and Environment Training Programme to all staff, consisting of e-learning module(s) and Carbon Literacy Training for all senior staff and Members.	Good	20 Members and 50 Officers trained, including majority of CLT.	Achieving equivalent of Gold CLT standard. All Senior Managers to P4 to attend training. Aspire towards 80% of Members trained.
08. Maintaining a watching brief on governmental policy, legislative and funding positions to enable pro-active responses to emerging changes	Good	Increase external funding success for decarbonisation projects	£1.2m of external funding to deliver CCES
09. Corporate Performance Outcome agreed to cover Climate Change and Sustainability.	Good	All staff will have a corporate outcome regarding Climate Change and Sustainability included in their outcomes and impacts targets as part of the corporate Our Conversations process.	Services, teams and individual staff consistently work towards achieving the Council's Climate Change strategy and aims.

Action Plans	**Assurance**	**Responsibility**	**Target Date**
01. Annual review of action plan and CCES targets.	CCES Action Plan - Risk Approach	Sheryl French	31/10/2023
02. Delivery of the Enabling Net Zero Phase 1 programme of work.	Programme monitoring via the Programme Board.	Sheryl French	31/12/2023
03. Delivery of CPCA Action Plan areas led by CCC.	Quarterly progress reports to the CPCA Officer Board and Member Board.	Maggie Pratt	31/12/2023
04. Integration of climate and environment into procurement strategy and frameworks e.g. Climate Change Charter, implementation of the Social Value toolkit, training and support for commissioning officers.	The Climate Charter is live and being used for all procurements valued over £100,000. The Council's Sustainable Procurement Strategy was agreed in February 23 and is starting to be delivered. Social value is considered in all procurements valued over £100,000. Further work is being done on considering how to reduce carbon in existing contracts.	Clare Ellis	31/12/2023
05. Corporate Asset Management Strategy Incorporation (and delivery) of carbon reduction and biodiversity improvements into CCC management approaches and to use CCC assets to drive net zero system change. This is carried out as the norm in all project work irrespective of the formal Corporate Property Strategy being in place.	The updated Asset Management Strategy and Corporate Landlord approach (when this is completed and delivered).	Chris Ramsbottom	30/06/2024
06. Climate / environment integrated into CCC operations and systems including Carbon Valuation; Net Zero by Design; Triple bottom Line.	Monitoring of Capital Programme Board papers to ensure papers include carbon valuation. Signing off significant implications on all committee papers that are Key Decisions.	Emily Bolton Sarah Wilkinson	31/12/2023
07. KPIs including the Council's Net Zero targets of 2030 & 2045 and carbon budget reporting when agreed and in place.	Quarterly reporting to Committee on Net Zero targets as part of the Council's performance framework.	Rachel Hallam	31/12/2023

08. Engagement and awareness campaign To deliver behavioural change and empower individuals, communities and businesses to act independently of the Council: a) internal and b) external.	Annual comms service and campaigns plan (and reports back to the Net Zero Board) signed off by CLT and Chairs & Vice Chairs and monitored quarterly.	Christine Birchall	31/12/2023
09. On-going market development/ skills/Cleantech.	Via the CPCA Climate Action plan and its wider skills work via the Greater South East Net Zero Hub.	Sheryl French	31/12/2023
10. Annual Carbon footprinting – New data to fill known data provision gaps	Annual publication of the Council's carbon and area footprints for publication on the Council's website.	Rachel Hallam Sarah Wilkinson	31/12/2023
11. Funding & financing for Net Zero 2030	Via Workstream 3 of the Climate Change and Environment Programme. Linked to the business planning process and balancing of funding against other priorities.	Sheryl French Stephen Howarth	31/12/2023
12. Funding and Financing Framework for 2045.	Via Workstream 3 of the Climate Change and Environment Programme. Subject to CANFFUND bid, results in November 2023	Sheryl French Stephen Howarth	31/12/2024
13. On-going closer collaboration with Govt departments to share Net Zero successes, projects and programmes to inform government policy.	Working with the government on task and finish groups. Collaborating through membership organisations e.g. ADEPT to inform policy.	Sheryl French	31/12/2024

Risk Path: Cambridgeshire County Council CRR/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Agenda Item No: 10

Audit and Accounts Committee Review of Effectiveness

To:	Audit and Accounts Committee
Meeting Date:	1st December 2023
From:	Mairead Claydon, Head of Internal Audit & Risk Management
Electoral division(s):	All
Outcome:	The Committee is being asked to consider the outcomes from its recent review of effectiveness in line with CIPFA guidance, and agree next steps to further develop the effectiveness of the Committee.
Recommendation:	The Committee is asked to agree the Action Plan at Section 3 of this report, which has been developed through the Review of Effectiveness.

Officer contact:
Name: Mairead Claydon
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Email: Mairead.claydon@cambridgeshire.gov.uk
Tel: 01223 715542

1. Background

1.1 CIPFA's updated *Position Statement on Audit Committees in Local Authorities and Police* (2022) also includes 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.

1.2 It was therefore agreed that the Audit Committee in conjunction with key officers would conduct a self-assessment exercise against the updated CIPFA *Position Statement* in 2023.

2. Key Findings of the Review of Effectiveness

2.1 The review of effectiveness took place on the 8th September 2023 at New Shire Hall. Present at the review were Councillor Wilson, Councillor Gay, Councillor Seeff and Councillor Sharp, along with Mairead Claydon the Head of Internal Audit & Risk Management and Emma Duncan the Director of Legal & Governance and Monitoring Officer.

2.2 The Committee worked through the CIPFA Self-Assessment of Good Practice, a high-level checklist review that incorporates the key principles set out in *CIPFA's Position Statement on Audit Committees in Local Authorities and Police 2022*. The completed checklist can be found at Appendix 1 to this report, with a copy of the *Position Statement* at Appendix 2.

2.3 In general, feedback on the effectiveness of the Committee was positive with only some areas highlighted where it was felt that there was potential to improve arrangements further. It was felt that the Committee membership was knowledgeable and skilled, with good working relationships with external and internal audit and the CFO, and that meetings were well chaired with good engagement from the Committee. The Committee was felt to operate effectively in an apolitical manner, with the right balance of membership.

2.4 There were some areas for improvement or review identified, with key areas highlighted below:

- The Audit & Accounts Committee's Terms of Reference complies with the CIPFA *Position Statement,* however the Committee at Cambridgeshire also has some responsibilities that go beyond the remit outlined in the *Position Statement.* It was felt that the emphasis placed on governance and risk management within the Terms of Reference is not as significant as that placed on financial issues, and there was also discussion regarding the name of the Committee ("Audit & Accounts Committee") placing a greater emphasis on finance and accounts and not emphasising the role of the Committee in terms of organisational governance.

- It was felt that the Audit & Accounts Committee at Cambridgeshire could be more active in initiating work such as audits, reports from officers etc. The Committee can request sight of Internal Audit reports and comment on the proposed Audit Plan for the Council, and may also choose to request officers to being updates to the Committee on any areas of concern or poor compliance. It was also noted that other

Committees may escalate areas of concern to the Audit & Accounts Committee for their review, although this has not happened recently.

- It was noted that the Committee has not met privately with the external auditors and Head of Internal Audit in the last year, as recommended by CIPFA.

- It was noted that CIPFA guidance suggests that the Audit Committee should avoid the use of substitutes and instead focus on maintaining a core, expert membership. It was discussed that it is standard practice for Committees to permit substitutes and avoiding doing so completely may be difficult to sustain. Instead it was agreed that it would be reasonable to include within the Committee's Terms of Reference a presumption that Committee members be present for all meetings and the use of substitutes is avoided wherever possible.

- It was discussed that although a training plan for the Committee had been lacking historically, the May 2023 meeting of the Audit & Accounts Committee included the proposal and agreement of a comprehensive training plan for the Committee. It was noted by the Monitoring Officer that the Audit & Accounts Committee training plan should be included in the wider programme for all members, and that should be recorded formally and funded. Additionally it was discussed that it would be helpful for the training plan to be re-presented to the Committee at each meeting for review and consideration whether updates are required.

- It was noted that the Audit & Accounts Committee has not sought feedback on its performance from key stakeholders, and this is an action that should be implemented in response to the review.

2.5 It was agreed that the findings and action points from the review of effectiveness would be developed into an Action Plan and presented to the full Committee. The proposed Action Plan is set out at Section 3, below.

3. Review of Effectiveness Action Plan

3.1 The Action Plan capturing all action points identified during the review of effectiveness is presented below:

Action:	**Target Date:**	**Officer Contact:**
Conduct a review of the Audit & Accounts Committee Terms of Reference alongside the CIPFA *Position Statement on Audit Committees in Local Authorities and Police*. This will particularly consider: • The emphasis placed on risk and governance issues within the Terms of Reference and any areas which are outside the remit defined in the CIPFA *Position Statement.* • The name of the Committee and whether this should be updated to give greater weight to the	31st March 2024	Head of Internal Audit & Risk Management

governance role of the Committee. • Including wording regarding a presumption that Committee members commit to being present for all meetings and the use of substitutes is avoided wherever possible.		
The Audit & Accounts Committee's report to Full Council will be amended to include a reminder to other Committees that they can refer matters to the Audit & Accounts Committee for its consideration or action. It will also be updated to include information on the Review of Effectiveness and development work undertaken during the year and planned improvements going forward.	COMPLETE	Head of Internal Audit & Risk Management
A shared drive will be set up to share internal audit final reports; in the interim, Committee members are reminded that they can request sight of final audit reports.	31st March 2024	Head of Internal Audit & Risk Management
Committee members should consider the range of actions available to them in obtaining additional information and assurance from officers and other Committees and considering and making recommendations for the improvement of governance, risk and control arrangements.	COMPLETE	Head of Internal Audit & Risk Management
A private meeting with the Committee and the external auditors and Head of Internal Audit to be held following a Committee meeting before the end of the financial year.	31st March 2024	Head of Democratic Services
Training Plan to be re-presented to Committee as a standing item at the end of each meeting for review.	31st March 2024	Head of Democratic Services
The Committee will conduct a feedback exercise inviting feedback on its performance from the Chief Executive, Monitoring Officer, Section 151 Officer and key Councillor stakeholders.	31st March 2024	Head of Internal Audit & Risk Management

4. Alignment with ambitions

4.1 Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes

There are no significant implications for this ambition.

4.2 Travel across the county is safer and more environmentally sustainable

There are no significant implications for this ambition.

4.3 Health inequalities are reduced

There are no significant implications for this ambition.

4.4 People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs

There are no significant implications for this ambition.

4.5 Helping people out of poverty and income inequality

There are no significant implications for this ambition.

4.6 Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised

There are no significant implications for this ambition.

4.7 Children and young people have opportunities to thrive

There are no significant implications for this ambition.

5. Significant Implications

5.1 Resource Implications
There are no significant implications within this category.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.

5.3 Statutory, Legal and Risk Implications
See wording under 4.1 and guidance in Appendix 2.

5.4 Equality and Diversity Implications
There are no significant implications within this category.

5.5 Engagement and Communications Implications
There are no significant implications within this category.

5.6 Localism and Local Member Involvement
There are no significant implications within this category.

5.7 Public Health Implications
There are no significant implications within this category.

5.8 Climate Change and Environment Implications on Priority Areas:

5.8.1 Implication 1: Energy efficient, low carbon buildings.
Neutral Status

5.8.2 Implication 2: Low carbon transport.
Neutral Status

5.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral Status

5.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.
Neutral Status

5.8.5 Implication 5: Water use, availability and management:
Neutral Status

5.8.6 Implication 6: Air Pollution.
Neutral Status

5.8.7 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

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement and Commercial? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? N/A

Have the equality and diversity implications been cleared by your EqIA Super User?
N/A

Have any engagement and communication implications been cleared by Communications?
N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Have any Public Health implications been cleared by Public Health?
N/A

If a Key decision, have any Climate Change and Environment implications been cleared by the Climate Change Officer?
N/A

6. Source documents

6.1 Source documents

CIPFA Position Statement on Audit Committees in Local Authorities and Police

6.2 Location

Appendix 2

APPENDIX E

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

	Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
	Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?				✓	
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					✓
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?			✓		
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				✓	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?			✓		
7	Does the governing body hold the audit committee to account for its performance at least annually?					✓

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022				✓	
• results of the annual evaluation, development work undertaken and planned improvements			✓		
• how it has fulfilled its terms of reference and the key issues escalated in the year?					✓
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements				✓	
Risk management arrangements					✓
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption					✓
Annual governance statement					✓
Financial reporting					✓
Assurance framework					✓
Internal audit					✓
External audit				✓	
10 Over the last year, has adequate consideration been given to all core areas?				✓	
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?				✓	
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	✓				

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					✓
• A size that is not unwieldy and avoids use of substitutes				✓	
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					✓
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					✓
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?				✓	
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?			✓		
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					✓
18 Is adequate secretariat and administrative support provided to the committee?					✓
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					✓
Effectiveness of the committee					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	✓				
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					✓
22 Are meetings effective with a good level of discussion and engagement from all the members?					✓
23 Has the committee maintained a non-political approach to discussions throughout?					✓

	Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	☐	☐	✓	☐	☐
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	✓	☐	☐	☐	☐
26	Do audit committee recommendations have traction with those in leadership roles?	✓	☐	☐	☐	☐
27	Has the committee evaluated whether and how it is adding value to the organisation?	✓	☐	☐	☐	☐
28	Does the committee have an action plan to improve any areas of weakness?	✓	☐	☐	☐	☐
29	Has this assessment been undertaken collaboratively with the audit committee members?	☐	☐	☐	☐	✓
	Subtotal score					
	Total score					
	Maximum possible score					**200****

** 40 questions/sub-questions multiplied by five.

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.

- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.

- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.

- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.

- In relation to the authority's internal audit functions:

    - oversee its independence, objectivity, performance and conformance to professional standards

    - support effective arrangements for internal audit

    - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
    - promoting apolitical open discussion
    - managing meetings to cover all business and encouraging a candid approach from all participants
    - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Audit and Accounts Committee Forward Agenda Plan

Updated 23rd November 2023

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
01/12/23 (23/11/23)	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Debt Management Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
	Corporate Risk Register	-	Head of Internal Audit & Risk Management	Mairead Claydon
	Audit & Accounts Committee Review of effectiveness	-	Head of Internal Audit & Risk Management	Mairead Claydon
	Pension Fund Annual Report and Statement of Accounts 2022-23	Annual	Investments and Fund Accounting Manager – Pensions	Ben Barlow/ Fiona Coates

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
06/02/24 (29/01/24)	External Audit Annual Plan	Annual	KPMG	External Auditor
	Annual Whistleblowing Report 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
28/03/24 (20/03/24)	Draft Internal Audit Plan 2024/25		Head of Internal Audit & Risk Management	Mairead Claydon
30/05/24 (21/05/24)	Consultants and Agency Worker Data	Six monthly	Head of Procurement and Commercial	Clare Ellis
	Draft Annual Governance Statement 2022-23	Annual	Head of Internal Audit & Risk Management	Mairead Claydon
	Annual Procurement Report	Annual	Head of Procurement and Commercial	Clare Ellis
	Annual Risk Management Report	Annual	Head of Internal Audit & Risk Management	Mairead Claydon

Future meetings: 30th July 2024, 31st October 2024, 30th January 2025, 27th March 2025
+ = indicates Exempt report