

# AUDIT AND ACCOUNTS COMMITTEE



**Date: Thursday, 20 September 2018**

**Democratic and Members' Services**

Fiona McMillan

Deputy Monitoring Officer

**14:00hr**

Shire Hall

Castle Hill

Cambridge

CB3 0AP

**Kreis Viersen Room**

**Shire Hall, Castle Hill, Cambridge, CB3 0AP**

## AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/coc-conduct-code>
2. **Audit and Accounts Committee Minutes 30th July 2018** **5 - 58**
3. **Audit and Accounts Minutes Special Meeting 31st July 2018** **59 - 98**
4. **Minute Action Log update** **99 - 112**
5. **Petitions and Public Questions**
6. **Member Working Group - Community Transport**
7. **Children's Social Care Caseloads Quarterly Update** **113 - 116**  
to follow

<b>8.</b>	<b>Draft - Audit and Accounts Committee Annual Report 2017-18</b>	<b>117 - 124</b>
<b>9.</b>	<b>Internal Audit Progress Report</b>	<b>125 - 148</b>
<b>10.</b>	<b>ERP Gold update Implementation report</b>	<b>149 - 154</b>
<b>11.</b>	<b>Review of the 2017-18 Statement of Accounts Process</b>	<b>155 - 160</b>
<b>12.</b>	<b>Level of Outstanding Debt</b>	<b>161 - 166</b>
<b>13.</b>	<b>Integrated Resources and Performance Report to end of July 2018</b>	<b>167 - 190</b>
<b>14.</b>	<b>Forward Agenda Plan update 12th September 2018</b>	<b>191 - 196</b>
<b>15.</b>	<b>Date of Next Meeting</b>	

The Audit and Accounts Committee comprises the following members:

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

Councillor Peter Hudson Councillor Noel Kavanagh Councillor Mac McGuire Councillor David Wells and Councillor John Williams

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**AUDIT AND ACCOUNTS COMMITTEE: MINUTES**

**Date:** Tuesday, 31st July 2018

**Time:** 9.30am-3.55pm

**Place:** Council Chamber, Shire Hall, Cambridge

**Present:** Councillors: I Bates (substituting for Cllr Hudson), C Boden (substituting for Cllr McGuire), J French (substituting for Cllr Wells), N Kavanagh, M Shellens, (Chairman), T Rogers (Vice Chairman) and J Williams

**Apologies:** Councillors Hudson, McGuire and D Wells

The Chairman welcomed everyone to the meeting.

**112. DECLARATIONS OF INTEREST**

Councillor French declared a non-statutory disclosable interest under the Code of Conduct as a Member of March Town Council and Fenland District Council.

**113. PETITIONS AND PUBLIC QUESTIONS**

No petitions had been received.

As there were a large number of public questions, the Chairman proposed that standing orders should be suspended.

It was resolved unanimously to suspend standing order section 9 of Part 4- Rules of Procedure, Part 4.4 –Committee and Sub-Committee Meetings.

The Chairman advised that he would be taking the public questions at the relevant sections of the report.

**114. COMMUNITY TRANSPORT**

The Chairman explained that the main purpose of the meeting was for the Committee to consider the conclusions of a report by external consultant PKF Littlejohn LPP ('PKF'), an independent firm of Chartered Accountants, into issues raised regarding the operation of Community Transport in the county, specifically the operation of the Fenland Association for Community Transport (FACT), Huntingdonshire Association for Community Transport (HACT) and Ely & Soham Association for Community Transport (ESACT), together known

as 'FH&E'. Their report, which had been made public, considered 55 issues raised by Cambridgeshire Bus, Coach and Taxi Association (CBCTA) on this subject.

The Chief Internal Auditor explained to the Committee why the report had been commissioned, setting out the chronology from where concerns had first been raised in 2013. In 2016 PKF had been commissioned as an independent external investigator to examine 55 issues specified by the key complainants. The costs of this work to date were approximately £170,000. The County Council had fully accepted the findings of PKF, and had developed a full and comprehensive Action Plan to address all of the PKF findings. Additionally the Chief Executive had instituted a disciplinary investigation, having taken the advice of the Head of Human Resources. Two referrals had also been made to the Police, in relation to allegations of fraud – one relating to letters submitted in support of a grant funding request, and one regarding responses to a County Council Community Transport customer survey. There had been a Memorandum of Understanding between the consultants, the Council and the Police in relation to information sharing. The Police had concluded that the investigated actions did not highlight criminality but their conclusions were consistent with the PKF findings, and have therefore informed the Council's response in confirming that the issues raised were serious.

The external consultants, PKF, explained how they had produced the report, and the individual skillsets and experience the team had drawn upon when conducting its investigations. The 55 areas for investigation had been agreed with CBCTA in March 2017. The process used was set out, including how information was gathered from various sources, including legislation, and how meetings and telephone interviews with various parties involved, including F&HE, had been carried out.

The draft report had been submitted to Cambridgeshire County Council (CCC), Huntingdonshire District Council (HDC), East Cambridgeshire District Council (ECDC) and FH&E, for comments on accuracy. Following advice from CCC, all individuals' names were redacted, except those of Councillors. The final report was issued on 11 July 2018.

The Chairman invited the Chief Executive, to make a brief statement giving an overview of the council's response.

Firstly, the Chief Executive stated that many of the complaints put forward by the Taxi Association were legitimate and related to very serious matters, and she apologised to the taxi drivers for the way the County Council had failed to handle their complaints over a number of years, and she looked forward to meeting with the taxi drivers in the near future.

The Chief Executive advised that she had wanted any issues relating to County Council processes to be dealt with immediately, and had compiled an action plan with the assistance of the Chief Internal Auditor. Most actions had already been completed, with a few still ongoing, and there might be further

actions coming from this Committee. Moreover, she would be ensuring that the actions would continue to be adhered to rigorously going forward, and the Committee would receive reports on the implementation of actions. Additional staff would be employed to enforce the grant conditions.

The Chief Executive had had meetings with the three Trustees of FH&E. The action plan specified actions to be taken not only by the County Council but also the FACT Board. It had been made clear to FACT that the Council's trust and confidence in them must be restored if the Council was to judge them to be fit and proper to continue to contract with them going forward. The Chairman commented that his intention was that the Committee would also keep this issue under robust review and ensure that actions were carried out as agreed.

The Chairman explained that in view of the considerable public interest in this matter, the Committee had waived Standing Orders to enable members of the public to speak. The report would be considered in different sections, and speakers invited to speak at the appropriate section. A transcript of all the questions asked would be published on the County Council's website.

### **Grant applications**

The consultants PKF summarised their findings on Grant Applications. The main issues that were considered were whether the grant applications from FH&E were factually accurate, and whether grant money had been used for the purpose specified. The following issues had come to light during the investigations:

- correspondence from FACT in relation to funding indicated it was a registered charity, i.e. a charity registered with the Charities Commission, but this was not the case. FACT was an exempt charity registered under the Co-operative and Community Benefit Societies Act 2014;
- specific grant applications made by FACT indicated that FACT had over 5000 members, when it had far fewer (less than 1500) at the time of the applications;
- annual grants had been paid by CCC to FH&E every year since 2013/14, totalling at least £52,360 per annum. The purposes specified for these loans were noted. There was no segregation of accounts in the FH&E organisations, so it was unclear whether this funding had been spent appropriately. In addition, FACT and HACT had received grants and loans from the County Council for radio equipment, and HACT had received a grant and loan totalling over £200,000 for its start-up costs;
- FACT did not provide monitoring milestones by which performance was to be judged in its grant application, and CCC did not follow this up.

The Chief Executive set out the actions identified in the Action Plan, including the reframing and redrafting of the grant monitoring framework, and a grant agreement. Copies of the relevant documents had been made available to the Committee Members. Mandatory guidance had been issued to all staff involved in grants to charities and voluntary organisations. Additional staff were being employed to enforce grant conditions, as monitoring by CCC was something that had been seriously lacking. In response to a Member question, it was confirmed that those staff should be in post by autumn, or the end of November at the latest.

A number of public questions were raised under grant applications (see p1-7 of **Appendix 1**).

On the subject of taxation raised in the public questions, the consultants PKF reiterated that FACT was an exempt charity with HMRC, but was not regulated by or registered with the Charity Commission. Activities fulfilling the organisation's primary purpose were not taxable, but any commercial income from other (trading) activities was subject to Corporation Tax after a £50,000 threshold.

The Chief Executive commented on the following points raised by the speakers:

- not only had the County Council objectively assessed the actions required to address the findings in the PKF report in terms of its own actions and processes, but the Council would also be objectively assessing the actions taken by FH&E in relation to this report;
- that she had commissioned the external consultants PKF to investigate these matters following her initial meetings with the Taxi Association, and had asked the Taxi Association to specify the scope of the report, as she took the allegations extremely seriously. Moreover, she had taken immediate action following publication of the report to assess the County Council's position and had committed to objectively assessing the fitness of FACT by 06/08/18.

Individual Members raised the following points:

- asked PKF whether there was any evidence that the County Council's representative on the FACT Board had challenged or raised concerns in any way about FACT's activities. PKF confirmed that they had found no such evidence. The Member suggested that the County Council's representative should be asked to resign, but further felt that such appointments to outside bodies should be scrutinised. In discussion, Members agreed and felt that the exact nature of the membership on the Board i.e. as a full Member or as an observer, needed to be established, and the broader issues of Member appointments by the Council to outside bodies, and Members' responsibilities on those bodies, should be clarified, and training provided as appropriate;

- in relation to the apparent significant failures in FH&E's management and stewardship, a Member commented that he found it unbelievable that a junior member of staff was personally responsible for all false statements made in numerous grant applications, and asked the consultants if that was their view. PKF responded that in interviews with Mrs Philpott, she had advised the actions had been taken by a junior member of staff, but had conceded that it was her responsibility to oversee those members of staff and the paperwork they had issued. The Member asked if PKF believed that response. PKF responded that further independent evidence from elsewhere would be required to establish this point, e.g. seeking the expertise of a handwriting expert to confirm or disprove this issue;
- referring to documents provided by one of the questioners, a Member noted that there was a letter from FACT stating that income generated through bus and car services totalled £238,847 for the year in question (2011), but a Profit and Loss statement for the same year indicated that the FACT income was £408,814. PKF agreed to take some time to consider this matter;
- whilst welcoming the establishment of FACT's Finance and General Purposes (F&GP) Committee to deal with governance matters, a Member commented that he felt that that in itself was not sufficient.

The Chief Internal Auditor advised in respect of issues highlighted by questioners relating to Key Forensics and the Police. Key Forensics issues were not included in the scope of the PKF investigation, and were therefore not included in the report. Information had been shared between PKF and the Police which had informed these findings, but the County Council had to respect the Police decision not to take the matter further. The Council had noted both the Police findings and the PKF report, and was taking these matters seriously, and as a result the Council was seeking to restore confidence and trust in FH&E. The recommendation was that further work would not be commissioned, as the Police findings were receiving proper consideration within the Council's action plan.

Councillor Boden proposed the following addition to the recommendations set out in the report, and this was seconded by Councillor French:

FH&E be invited critically to examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

The Member acknowledged the contributions of the Chief Executive, and that many matters were historic, but felt that there had been failures of both management and stewardship within FH&E, and it was appropriate for the Committee to ask and expect the Board to reconsider its composition to ensure that it was capable of fulfilling its stewardship requirements in future.

It was noted that in view of this additional recommendation, additional or amended actions needed to be included in the Action Plan, and the Action Plan should be updated accordingly.

The Chairman asked Committee Members to consider whether the section of the Action Plan on grant applications was desirable, practical and proportionate, and whether anything needed to be added, deleted or changed.

It was agreed that recommendation (a), as set out in the covering report, be amended to note *and endorse*.

With regard to the earlier discussion on training and guidance for Members on outside bodies, a Member suggested that this was crucial, as many organisations had very specific rules and regulations. It was agreed that the Chief Executive should consider what actions may be appropriate. **Action required.**

In relation to the information and actions required from FH&E for the Council to have trust and confidence going forward, the Chairman suggested that if there were any further submissions with factual statements from FH&E, he would seek the reassurance of the Chief Internal Auditor that he had considered the details thoroughly, and was confident that the information was true and accurate. Members also discussed the possible shortcomings of FACT's external audit process.

The Chief Executive confirmed that along with the Deputy Monitoring Officer and Chief Internal Auditor, she would consider the information provided by FH&E, and judge whether there was sufficient evidence and reassurance to contract with them, based on the fit and proper person criteria. She added that determining whether the Council had confidence to contract with these organisations going forward was a very serious matter. Any changes to contracts to alternative providers would have to be carefully managed, especially given the need for continuity and the vulnerability of the clients involved. Members confirmed that they were content with that approach.

### **Annual Returns and Published Accounts**

The consultants were invited to summarise their finding on the Annual Returns and Published Accounts. It was noted that as a membership organisation, FACT was governed by its rules and Memorandum of Association, which required that Members had to be approved at either an Annual General Meeting or by its Executive Committee. PKF had not found any evidence to demonstrate this had taken place. Accounts had been audited and given a 'true and fair' assessment.

On examination by PKF, there were disclosures of Related Party Transactions that had not been made e.g. in the 2016 Accounts, transactions between FACT and the County Council should have been disclosed as Related Party Transactions, by virtue of Councillors sitting on the Executive Committee. Various other errors in the Accounts were outlined.

HACT was registered and regulated by Charity Commissioners. In reviewing the HACT Accounts, it was noted that their accounts were not audited, as the organisation was beneath the threshold for an external audit. Accounting policies refer to the Accounts being prepared under the 2005 Statement of Recommended Practice (SORP) when they should be prepared under the 2015 SORP. As a result, there were a number of errors and omissions from the Trustees' Report. Capital grant received should have been registered as income received, which was not the case. As a general point, charities were required to undertake activities which fulfil their objectives, and there was a £50,000 threshold for trading activities, after which point Corporation Tax was payable.

The Chief Executive summarised the actions set out in the Action Plan in relation to this item. The Chairman commented that given some of the other issues under consideration, the issues raised in the PKF report relating to the Annual Returns and Published Accounts were not his greatest concern, however, there were clearly a number of issues to be learned and actions to be put in place going forward.

A Member asked if the Traffic Commissioner had been involved. The Chief Internal Auditor advised that the Traffic Commissioner had been made aware that the Council had commissioned PKF to carry out the investigation. The Traffic Commissioner had subsequently requested a copy of the PKF report.

A Member commented that in his experience, the adoption of the new Charities SORP had been taken up in a surprisingly piecemeal manner by the sector. PKF responded that in 2016 they had engaged with clients to ensure that the SORP was appropriately applied. However, as with any new legislation or regulations, there have been lessons learned, and the SORP Committee had issued subsequent guidance to the sector.

A number of public questions were raised under grant applications (see p7-10 of **Appendix 1**).

In response to a point raised in one of the questions, the consultants PKF confirmed that information had been received from FACT and HACT relating to the changes in the accounting figures, and PKF had also carried out a sample test of invoice figures. No anomalies had been found.

The Chief Executive commented on the matters relating to officer conduct, raised in the public questions. She advised that those matters were included in her report, and she confirmed that if there were matters for Head of Paid Service to consider, there was a process that needed to be followed, but that was not a matter for consideration at this Committee. The Chief Executive drew Members' attention to paragraph 2.5 of the report which stated *"In addition to the actions set out in Appendix 1, the Chief Executive has instituted a disciplinary investigation, having taken the advice of the Head of Human Resources in accordance with the County Council's disciplinary procedures"*. The Chairman commented that it was important not to prejudge any investigations that might take place.

The Monitoring Officer confirmed that any call for the resignation of the FH&E Board was a matter for FH&E, not for the Committee or Council.

A Member asked PKF if it was clear to them during their investigations who was an Executive Member, Non-Executive Member, observer or representative on the Executive Board. PKF advised it was unclear from some of the documentation they had seen, but it was made clear on the Financial Statements who was an advisor and who was an observer.

In noting and endorsing actions 4-8 in the Action Plan, it was noted that 4, 7 and 8 were proven, whilst 5 and 6 were not proven. It was confirmed that no actions were listed against items 5 and 6.

## **Funding**

The consultants summarised their findings on Funding. They outlined the DfT guidance, the complexity of State Aid rules, and the DfT's suggested assessment framework for local authorities to identify potential issues under State Aid rules. The issues around cross-subsidisation were explained. FH&E had not established segregation of accounting information between their community transport services and commercial contracts. The County Council did not have any set procedures to ensure that DfT guidance relating to cross-subsidisation was applied. Specific issues relating to capital purchases for the set-up of HACT, financed by grants and loans by the County Council, were explained. The issues surrounding the emergency transfer of contracts from the dissolved Nene and Ouse Community Transport to HACT were also explained.

With regard to State Aid, the relevant EU legislation was summarised, and how those regulations were applied to grants and loans to FH&E. The Committee noted that the advice of two Barristers with expertise in this field had been sought in relation to the issues involved, and the advice given by those Barristers.

The Chief Executive referred back to the new grant agreements, and how procedures were now in place to ensure cross subsidisation did not take place, and how guidance had been issued to staff. The new process for open and competitive bidding ensured grants did not constitute "state aid". An annual review of outcomes and benefits would be reported to the County Council's Economy & Environment Committee. The new monitoring arrangements required segregated accounting by grant recipients, and spot check audits of operators. The policy on grants provided more detailed advice on State Aid, and the State Aid issue had been referred to the DfT in line with the barristers' advice. The Chief Executive had raised this issue with her counterparts at Huntingdonshire and Fenland District Councils, and was happy to advise other grant funders. All loans had been repaid but one, where the final repayment was due to be made on 30 August 2018. The interest had also been paid, and the Citroen vehicle returned. Everything had been covered either in agreements or by actions.



In response to a Member question, the Chief Executive confirmed that the PKF report would be considered as part of the disciplinary process.

The Chairman advised that he would be discussing this issue with the Section 151 Officer after the meeting, and clawback would be pursued where appropriate. He was reassured that the proper rules would be in place going forward.

A Member suggested that the issue of State Aid needed to be brought to the attention of the Mayor with regard to his Bus Review.

A number of public questions were raised under Funding (see p10-13 of **Appendix 1**).

In response to a question on cross-subsidisation, it was confirmed by PKF that grant funding has been used to expand FH&E's commercial fleet.

*The meeting adjourned for lunch*

The Chief Executive advised that in considering the fit and proper person issue, the Council would be seeking assurances from FACT. This request would be for evidence, not just information, to confirm compliance.

The Committee debated the Action Plan relating to Funding.

A Member commented that he was shocked to discover that the Council did not have a policy in place to ensure that cross subsidisation did not occur, and that it had taken the PKF report to be produced for action to take place. Furthermore, he felt the actions of some Council officers were at best slipshod, in terms of documentation, recording decision making and ensuring policies were in place. He felt it unlikely that this poor performance was limited to Community Transport and sought reassurance from the Chief Executive that there were no other areas, particularly those where there was potential reputational, legal or financial liability that might emerge in the future, as a result of the Council failing to act in a professional way. The Chief Executive reassured Members that ensuring both procedure and compliance across the Council was her priority going forward.

Another Member commented that he had similar concerns in the area of contracts and agreements, the Chief Executive confirmed that this was an area that was being reviewed, and she had discussed this at length with the Chief Internal Auditor.

A Member asked PKF whether the Council could be fined by the EU for its actions. PKF responded that they this had not been brought to their attention by the barristers, but the Chief Executive agreed to follow that up. **Action required: Chief Executive.**

The Chief Executive explained that the next stage of the Action Plan would be demonstrating to the Committee that the actions put in place were being adhered to.

In response to a question on the new grant monitoring framework and grant agreement, the Chief Internal Auditor confirmed that he had reviewed this document and was satisfied with it.

The Chairman commented that there were essentially two key issues for the Committee's consideration: what was going to be done in future, and what was going to be done about the past. He was reassured by the Chief Executive's comments that if there was money to be reclaimed, State Aid or otherwise, it would be reclaimed.

### **Expansion and demand**

The consultants summarised their findings on expansion and demand. They explained that Dial-A-Ride journeys and income between 2014 and 2016 had been relatively static, but expansion had been financed through grant funding, and the significant increase in vehicle numbers for both FACT and HACT were detailed. The expanded fleet was mainly used for commercial contracts, and funded principally from grants. Conditions on those grants specified by the County Council were either not followed up, or only cursorily followed up. Since these issues had been raised, most of the issues had been addressed, or measures were being put in place.

The Chief Executive covered specific issues in relation to the grant framework, membership applications and Public Liability Insurance cover levels, and the actions that had been taken. The issues of business continuity plans, emergency and subsequent procurement were also being addressed. In terms of tendering, all contract had been retendered, and awards would be taking place shortly.

A number of public questions were raised under expansion and demand (see p14-16 of **Appendix 1**).

The consultants PKF responded to points raised by the speakers as follows:

- confirmed Mr Humphrey's figures were correct, and that the figures requested were included in the report in the appendices. For FACT (Appendix H to the report), for 2011-2013 £198,710 (238,827E), 2012-2014 £200,690 (243,249 E), for 2013-15 £180,710 (227,045E). For HACT (Appendix I) for 2014-15 £303,065 (386,348E), and for 2014-16 £366,870 (464,987E). The exchange rate conversions given were based on mid-market rates from xe.com;
- in response to a question on the possible unfair advantage that FH&E's subsidies gave them compared to non-subsidised organisations, PKF confirmed they had not looked at how competitors were funded, or the impact of competitive tenders on the market place.

The Chief Executive commented that it was not acceptable for public money to cross-subsidise commercial services, and that she would be looking to ensure this would not happen again. With regard to market failure there needed to be proper procedures for the awarding of emergency contracts and or dealing with business continuity issues, and these needed to be in line with best practice.

A Member asked what assurances could be given that some competitive advantage might not be gained by FH&E, for external work, resulting from funding that had been awarded by the County Council in the past, which had not been used appropriately i.e. for commercial expansion. The Chief Executive responded that this issue must be considered, so that the Council did not continue to confer advantage on FH&E because of past actions, and action needed taking as a result. She reassured the Committee that if funding needed to be recouped, it would be recouped.

Observing the serious difficulties the collapse of Nene and Ouse Community Transport caused in Huntingdonshire, some Members commented that it was essential that robust processes must exist throughout Council to deal with business continuity. It was noted business continuity was a major plank of the Risk Register, and there were detailed plans. The Chief Executive responded that the business continuity plan was part of the evidence pack, and contractors/providers were also required to have their own business continuity plans. This should ensure a proper and smooth transition to a new provider.

The Chairman noted that the majority of actions set out in the Action Plan on this issue were for the FH&E Board, with the remainder for specific County Council officers. It was obvious that there was a clear intention that if historic transfers of money had been misapplied, that those be recovered. There were detailed plans for future practice.

### **Licensing and Permit 19 and 22 issues**

The consultants summarised their findings on Licensing and Permit 19 and 22 issues. There was conflicting advice on the Permits for Community Transport Organisations from the DfT, Traffic Commissioner, etc. The County Council had taken its own legal advice on this issue, especially relating to organisations that undertook both commercial and non-commercial work. PKF's conclusion was that the County Council needed to introduce appropriate legal advice to ensure its procedures were amended to assist in ensuring that organisations to which it issued transport grants and contracts were compliant both with such grant and contract agreements, and relevant legislation. Individual contraventions by FH&E were also set out. FH&E were granted operators' licences in 2018.

The Chief Executive advised that, given the conflicting advice, the Council had adopted a prudent and cautious approach, with greater scrutiny being applied to all Section 19 Permits issued, requiring all commercial services to operate under an O Licence or taxi licence. This cautious approach, based on the DfT advice, appeared to be the best way to minimise the risks involved. The Chief

Executive outlined how this would be managed and monitored in practice, including annual checks through the grant monitoring agreement. It was noted that enforcement would be for Community Transport only, as District authorities had the responsibility to regulate taxi licensing.

A Member observed that driver CPCs had been introduced less than ten years previously, and there had been a transitional period before they became enforceable. He asked if time had been allowed to make the transitional arrangements. It was noted that the DfT had made it clear that operators would be given a period of grace to secure the relevant licences. It was confirmed that the Council would be checking those licences were in place.

A number of public questions were raised under Licensing and Permits 19/22 and Service Level Agreements (see p16-19 of **Appendix 1**).

A Member asked what consideration was given to the financial resources available to that entity, when an entity applied for an O licence. He pointed out that the Traffic Commissioner needed to be reassured that an entity had sufficient resources available, e.g. so it could undertake proper maintenance. Therefore the Traffic Commissioner needed to be made aware of potential breaches. The Chief Executive confirmed that any issues would be raised with the Traffic Commissioner, e.g. if any significant amounts of money had to be repaid to the Council. It was agreed that this would be an addition to the Action Plan. **Action required.**

A Member also noted the EU Commissioner's role, and suggested that this issue should be dealt with in the Action Plan. **Action required.**

### **Conflicts of Interest and Complaint Handling and Freedom of Information responses**

The consultants summarised their findings on Conflicts of Interest and Complaint Handling and Freedom of Information responses. The following key points were raised by PKF:

- it was unclear how the County Council's Community Transport Officer's signature appeared on the grant application: PKF were satisfied that he attended meetings only as an observer;
- some of FACT's Financial Statements were misleading;
- there was no evidence from FH&E meetings on how conflicts of interest had been dealt with;
- there were a number of cases where Fenland District Council and Cambridgeshire County Council had not responded appropriately to complaints;

- there had been a number of Freedom of Information (FOI) requests made by the complainants to the County Council, and examples were given where FOI responses were inadequate or inaccurate.

The Chief Executive advised:

- in relation to Conflicts of Interest, she had issued an email to all County Council staff on 23/07/18, which covered this issue comprehensively, and alerted staff to be aware when dealing with other organisations, not just in relation to Community Transport;
- the role of Community Transport Officer had been further clarified in terms of attending FH&E Board meetings. This guidance and clarity would be provided to all officers involved in this work;
- the Deputy Monitoring Officer would be taking a report to Constitution & Ethics Committee on providing guidance to Members on their roles and responsibilities on outside bodies, which was a complex and challenging area;
- with regard to the FOI requests, an officer (who was not employed by the County Council) had been commissioned to identify exactly where this issue emanated from i.e. from the FOI team or Transport team. There had been a review of record keeping and filing practices in the Transport team to ensure the required information was readily available. The Chief Executive would report back to the Audit & Accounts Committee when she had the outcome of that report.

Members raised the following points:

- asked about Membership on the FACT Board by Cambridgeshire Councillors. PKF confirmed Members attended in an advisory role, and they had investigated this issue in some detail;
- asked if other Councils could be informed of the actions the County Council was taking. **Action required.** It was also suggested that the report on Outside Bodies, to be considered by the Council's Constitution & Ethics Committee, should be shared with District authorities. **Action required.**
- expressed astonishment at the allegation of a transport officer's signature being forged, and asked what actions the Chief Executive was taking to ensure that individual was protected. The Chief Executive confirmed that she had accepted PKF's findings;
- suggested that such misconduct in public office was a criminal offence that should be brought to the attention of the Police, as this went beyond the remit of the Committee. If an individual wished to raise a complaint against any Councillor, all Councils had open and transparent policies for dealing with such complaints. (*The Member,*

*Councillor Boden, declared a non-statutory disclosable interest under the Code of Conduct as a Fenland District Councillor and Chairman of the Overview and Scrutiny Committee on that Council);*

- suggested that a thorough report back, on the Freedom of Information issues, needed to be provided to a future meeting of the Committee, as this was particularly concerning from a governance perspective.

**Action required.**

### **Thomson Local Advertising**

The consultants summarised their findings on Thomson Local Advertising. The complainants had advised that FACT had advertised on both Thomson Local and Google, and that the adverts seemed to imply that FACT was a taxi company. During the investigation, PKF were unable to identify if this was a deliberate or not.

The Chief Executive advised that as the licensing authority for FACT, the County Council would investigate and report on the relevant matters.

A number of public questions were raised under Thomson Local Advertising (see p19-20 of **Appendix 1**).

Arising from the report, Members:

- a Member commented that she had personal experience of her business's advertisements appearing in the Thomson Local, without her contacting or advertising through them;
- a Member commented that he fully accepted that it was not impossible that this had happened accidentally. However, he felt a large number of unfortunate accidents had happened in relation to FH&E, and the reputation of FH&E had suffered badly as a result;
- another Member suggested that some of the evidence provided, of an email exchange with FACT, was very damning, and did suggest that FACT had effectively been trying to operate as a taxi business.

*The Committee adjourned for a break.*

The Chairman gave those present an opportunity to make statements and/or questions, summarising any final thoughts they had on the matters under consideration (see p20-22 of **Appendix 1**).

In response to a question from Mr Mason, the Chief Internal Auditor reiterated that the costs of the investigations undertaken to date by PKF were approximately £170,000, including VAT. These costs were currently being channelled through the Milton Keynes City Council (MKCC) budget, as the Chief Internal Auditor was employed by that Council, as part of the LGSS arrangement. It had been agreed with PKF to submit invoices to MKCC, and

these would be recharged to Cambridgeshire County Council in full. There was a slight time lag before they would appear on the County Council's system as paid. The Chief Internal Auditor assured Mr Mason and the Committee, that along with the County Council's Section 151 Officer, he would ensure that this transfer would take place.

Arising from the public questions:

- a Member asked the Chief Executive why she was recommending that FH&E were permitted to get their house in order rather than just terminate contracts immediately. The Chief Executive advised that the Council had to make lawful and legal decisions, taking into consideration all the information available. This process would be undertaken, and a judgement made and decision enacted;
- the Chairman commented that the County Council should be providing essential community transport services to those living in remote areas in the most cost effective and efficient way, and asked Members who they felt was best placed to provide those services, and what governance arrangements needed to be put in place. A number of Members responded that consideration would be premature, before all possibilities, including the Mayor's Bus Review, had been taken in to consideration.
- a Member commented that he had not yet heard an apology from FH&E.

The Chairman gave those the present one final opportunity to make any final comments, where no notification had been given (see p22-25 of **Appendix 1**).

The Chief Executive concluded by saying that she had a big important task, and remained committed to going through the report recommendations. She would be meeting with the Taxi Association, and also with FACT, and would be very clear on what was required from FH&E to ensure the relationship with the County Council continued. Community Transport was extremely important, and it was vital to have the right Community Transport operating in the right way going forward.

A Member expressed her thanks to the Chief Executive for taking this difficult issue on in a very robust manner, and expressed confidence in the Chief Executive's ability to take this issue forward and to continue to monitor it.

Another Member commented that there were a large number of recommendations, but he had confidence that the Chief Executive would leave no stone unturned. He suggested that it would be helpful to have a meeting to review all actions in the action plan to ensure completion. The Chairman reassured him that the Committee would have this matter under close scrutiny, given its importance and urgency. It was agreed that an interim report would be considered in three months. **Action required.**

The Chairman thanked all those who had attended for their contributions to the meeting.

It was resolved unanimously to:

- a) note and endorse the PKF report and the Management Response, as amended in the meeting;
- b) receive updates to future meetings until all agreed actions are confirmed as implemented;
- c) invite FACT, HACT and ESACT to critically examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

**Chairman**



Dear Rob,

I write to give notice of a request to speak at the forthcoming meeting of Audit and Accounts Committee to be held on 30<sup>th</sup> July 2018. The outline of my comments and subject are given below.

Yours Sincerely Mike Mason

**Audit and Accounts Committee 30<sup>th</sup> July 2018 - Agenda Item 10 Internal Audit Progress Report**

- I will refer to the proportion of risk associated with the delays in implementation of the ERP Gold system across the LGSS Partnership in general and at Cambridgeshire in particular.
- I will refer members to my letter of 24<sup>th</sup> March this year (copy provided with email – *note from Democratic Services - dated 19<sup>th</sup> March*) and to written answers from Councillor Count concerning the competence of LGSS IT with regard to the provision of a stable core IT platform.
- I will request the Committee to provide an estimate of the cost to the Council of the delays and malfunction to date in line with the data provided in Councillor Count's answer in March 2017.



Cambridgeshire County Councillors  
Shire Hall  
Cambridge

19<sup>th</sup> March 2018

Dear Councillor

**Northamptonshire County Council (NCC) - Best Value Inspection Report and Recommendations – Implications for Cambridgeshire Taxpayers Future for Local Government shared services?**

At your meeting on Tuesday at Agenda Item 8 you will be discussing proposals for further changes in the constitution, allowing further delegation of governance to Local Government Shared Services (LGSS). I urge all elected members to read and very carefully consider the conclusions of the Inspector, Max Caller CBE, before voting to approve any further delegation to LGSS. The Report can be found at :-  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/690731/Best\\_Value\\_Inspection\\_NCC.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/690731/Best_Value_Inspection_NCC.pdf)

The report, in Paras. **3.37 – 3.39** is highly sceptical about LGSS's claimed financial savings for the participating authorities. At **3.55 - 3.57** the Inspector comments adversely on lack of financial control and confusion of responsibilities between NCC and LGSS staff. This certainly reflects recent experience as an objector to the Cambridgeshire 2016/17 Statement of Accounts which remains unresolved. Formal objection documents dated 10<sup>th</sup> August 2017 were submitted to the Closedown Team at **Northampton** and to the external Independent Auditor, Lisa Clampin, BDO LLP.

At pages 32 and 33 the Inspector comments specifically on LGSS arrangements which again are very similar to those of the other authorities. Significant comments are :-

**3.106** "There are a number of areas where **the relationship with LGSS at best confuses accountability and at worst prevents it**".

**3.109** "**Risk Management at the Council has been poor**, with the Audit Committee struggling to get any traction on it being taken seriously in the Council".

**3.110** "**Internal audit suffers from the way LGSS arranges its activity** with limited scope to deploy staff flexibly across the member councils. While **legal services are delivered by LGSS Law Ltd**, the lack of an **appreciable client role for legal services** has not assisted the council in controlling its legal costs".

**3.112** "The inspection team feel there would be benefit in **reviewing the relationship between NCC and LGSS to ensure there was clearer accountability** and the Council had strategic capacity close to its decision makers. This is **particularly pertinent, as it appears that LGSS is no longer generating surpluses which can be applied to reduce the overall costs to the constituent councils**".

**LGSS Law Ltd** is a private limited company (the company) with two directors who **hold senior executive and/or statutory roles at its principal local authority clients**, who have paid over £23 million into the company since June 2015. In the Cambridgeshire current Business Plan, approved by Council last month, the company seeks a **£499,000** unsecured "cash flow loan" from the County Council. However, Beta Companies House web site (Feb 2018) now reveals that **LGSS Law Ltd** has very

high debt and creditor levels and at 31st March 2017, **loan re-payment of £950,000** to Northamptonshire County Council remained outstanding together with a pension **fund deficit of £1.7 million**, a liability which is underwritten by the three client local authorities. In the light of current financial pressures and the Inspector's comments above, Cambridgeshire taxpayers are entitled to ask :- (a) Is there a **conflict of interest** where the Executive Director of LGSS Law Ltd. as a service providing company, is also the appointed Monitoring Officer at two client local authorities, namely, Cambridgeshire and Central Bedfordshire? and (b) does a loan of up to £499,000 to a company with serious financial problems, represent **prudent use of taxpayer's money** at a time when front line services are in jeopardy?

It would appear that the future of LGSS and its associated companies is therefore in some doubt. If the section 114 notice remains in force at Northamptonshire then expenditure on LGSS functions could remain frozen in order to protect front line essential services, at least until Commissioners to be appointed by Secretary of State are in place. Will this mean that expenditure currently shared between Northampton, Cambridgeshire and Milton Keynes will have to be met by CCC and MKC alone?

In a report sent to all members of Council and senior officers a year ago, I gave details of the inadequate performance and function of the LGSS Joint Scrutiny Working Group which had failed to Scrutinise the 2017/18 LGSS budget and to deal with the outstanding objection to the LGSS 2014/15 Accounts.

<http://www.mike-mason.uk/docs/finance/Member%20Report%20MJM%2021-03-17.pdf>

In a written reply to a question under rule 9.2, published on 28<sup>th</sup> March 2017, Councillor Count stated:- ***“CCC have lost confidence in the ability of LGSS IT to provide a stable IT service to our end users. CCC are seeking to take back a degree of control in order to improve the stability of our core IT platform”***. The three Councils have since spent in excess of £10m to develop a common accounting system, ERP Gold. Implementation of this hugely complex system is long overdue with a latest go live date of April 2018. An independent report by Agilysis was highly critical of progress so far and casts serious doubt upon the ability of LGSS to successfully commission the system. Any attempt by NCC, CCC and MKC to “go live” without thorough testing and training of thousands of end users could result in catastrophic failure of finance and accounting systems.

In view of the very high risk to public funds I urge the Council to review its commitment to provide loan finance to LGSS Law Ltd. and furthermore, in the light of the comprehensive Government inspection at Northamptonshire, to re-examine the policy of creating or extending shared service arrangements?

Yours Sincerely,

Mike Mason

Copied to :- Senior Officers at Cambridgeshire County Council  
BBC and Local Press

**AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTION LOG FOR 30<sup>TH</sup> JULY 2018 COMMITTEE MEETING**

<b><u>NO</u></b>	<b><u>TITLE OF REPORT / MINUTE AND ACTION REQUESTED</u></b>	<b><u>LEAD</u></b>	<b><u>PROGRESS / RESPONSE</u></b>
<b>ACTIONS ARISING FROM THE MINUTES OF THE JULY 2016 COMMITTEE MEETING</b>			
<b>2.</b>	<b>MINUTE 226. MINUTES</b>		
	<p><b>Minute 213 'Systems in place to ensure that Section 106 Funds do not go unspent'</b></p> <p>The November 2016 Committee meeting agreed that updates either to the Committee or to the Chairman should be provided on a six monthly basis.</p>	<b>Tom Kelly</b>	<p>Next update due in September 2018. (Action: Tom Kelly)</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 29<sup>th</sup> NOVEMBER 2016 COMMITTEE MEETING</b>			
<b>3.</b>	<b>MINUTE 261 – CAMBRIDGESHIRE COUNCIL WORKFORCE STRATEGY UPDATE</b>		
	<p>There was a request that once implemented, there should be a regular quarterly report on the Action Plan progress.</p>	<b>Martin Cox / Lynsey Fulcher</b>	<p>The report submitting the final Strategy for endorsement by General Purposes Committee and for final approval by full Council has been rescheduled a number of times since the report to the November 2016 Committee.</p>

			<p>Officers have agreed to provide the Chairman with a copy of the intended report going to GPC Committee in September. The timetable is for it to go to General Purpose Committee in September and Council in October.</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 23<sup>rd</sup> JANUARY 2018 COMMITTEE MEETING</b>			
<b>5.</b>	<b>61. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR JANUARY 2018</b>		
	<p>a) <b>Audit and Accounts Training Plan – Running through the detail of a non-contentious project</b> - It was originally agreed that the session requested by the Chairman, should be before the March meeting.</p>	<b>M Kelly</b>	<p>This was to have been held before the January Committee meeting. However, due to officer illness on the day of the Committee, this session had to be postponed and a new date arranged.</p> <p>As agreed at the May 2018 meeting that having consulted with the Committee the Chairman was still keen for Internal Audit to offer this training to the Committee. Internal Audit to liaise with Chairman on finding a suitable date in the autumn.</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE MARCH 2018 COMMITTEE MEETING</b>			
<b>6.</b>	<b>MINUTE 77 - DRAFT INTERNAL AUDIT PLAN 2018-19</b>		
	<p><b>Action: Internal Audit look at lower contract thresholds for reassurance (to ensure greater value for money was being achieved) and also to look at the administrative cost of procurement compliance.</b></p>	<b>D Wilkinson / Mairead Kelly</b>	<p>These would be undertaken as part of the reviews included in the Internal Audit Plan being undertaken.</p> <p>Economy and Environment Committee at their meeting in April when considering the Ely Bypass overspend Capital Report requested that Internal Audit should review this project as part of</p>

			one of the reviews on capital project overspends to establish whether any lessons could be learnt going forward.  <b>ACTION ONGOING</b>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 29TH MAY 2018 COMMITTEE MEETING</b>			
7.	<b>MINUTE 84. MINUTES ACTION LOG</b> <b>Minute 72 Demography And Demand Planning Presentation Budgeting For Looked After Children</b>  <p>Regarding the action for a report summarising the proposals scheduled for the Children and Young People's (CYP) Committee in May, the full report had been circulated to the Committee on 22<sup>nd</sup> May. As the CYP meeting had only been the previous week and the Minutes not yet drafted / cleared, a short report would be circulated to the Committee following approval of the CYP minutes. <b>Action</b></p>	<b>R Sanderson to Liaise with Lou Williams</b>	<p>Actioned in an email from Democratic Services (Rob Sanderson) on 29<sup>th</sup> June 2018. This provided the report Transforming Outcomes for Children In Care which had been presented to the 22<sup>nd</sup> May Children and Young People's (CYP) Committee and also the relevant Minute from that meeting along with the background document titled 'Change for Children Children's Services in Cambridgeshire' referenced to in the CYP discussion.</p> <p><b>ACTION COMPLETED</b></p>
8.	<b>MINUTE 85- CHILDREN'S SOCIAL CARE CASE LOADS QUARTELY UPDATE</b>		
	The Chairman requested that he meet with officers outside of the meeting to discuss age structures.	<b>Sarah-Jane Smedmor</b>	The Chairman confirmed at the meeting that this was still ongoing.

<b>9.</b>	<b>MINUTE 86 - REGISTRATION OF LAND PURCHASED FOR HIGHWAY PURPOSES</b>		
	One Member suggested that if land was identified that was no longer required for highways purposes it might be useful depending on their size, to offer them on a first refusal basis to the appropriate district council, It was suggested the Member put the proposal in writing and then the Chairman / Democratic Services could bring it to the attention of Commercial and Investment committee.	<b>Cllr White-head</b>	This will be followed up.  <b>ACTION ONGOING</b>
	Councillor French requested that officers' make available to her when it became available the list of land in Fenland identified as no longer required for highways purposes.	<b>Daniel Ashman</b>	This would be at a later date  <b>ACTION ONGOING</b>
<b>10.</b>	<b>MINUTE 87 - TRANSFORMATION FUND MONITORING REPORT QUARTER 3 2017-18</b>		
	a) The Chairman suggested the savings figures for the third quarter were disappointing and in reply on when the next report would be received it was agreed to add to July meeting	<b>RVS</b>	A report on the fourth quarter is included on the agenda.  <b>ACTION COMPLETED</b>
	b) The Chairman asked for details of the target figure for the category 'Using Assistive Technology to help those with Learning Disabilities live	<b>Julia Turner</b>	This was provided in an e-mail to the Committee on 8 <sup>th</sup> June by Democratic Services  <b>ACTION COMPLETED</b>



	and be more independent <sup>4</sup> without the need for 24 hour or overnight care' (page 48)		
	<b>c)</b> Page 53 last paragraph under the section Neighbourhood Cares - The officer undertook to provide a fuller explanatory note to the Chairman outside of the meeting through Democratic Services.	<b>Julia Turner</b>	This was provided in an e-mail to the Committee on 8 <sup>th</sup> June by Democratic Services. <b>ACTION COMPLETED</b>
	<b>d)</b> There was a request for more information in a future report regarding the Cambridgeshire Lottery in terms of: <ul style="list-style-type: none"> <li>○ how much money it was being estimated it would raise,</li> <li>○ the number of people who were expected to participate,</li> <li>○ the prize money that was to be offered,</li> <li>○ how much County Council money was at risk.</li> <li>○ How long was the Council committed to the Lottery.</li> </ul>	<b>Julia Turner</b>	This was provided in an e-mail to the Committee on 8 <sup>th</sup> June by Democratic Services. <b>ACTION COMPLETED</b>
	<b>e)</b> It was suggested that the next update report should include the relevant minutes from the General Purposes Committee as an appendix.	<b>Julia Turner</b>	A summary of the discussion at General Purposes Committee is included within paragraph 1.3 of the report on the current agenda. <b>ACTION COMPLETED</b>

<b>11.</b>	<b>MINUTE 88. INTERNAL AUDIT ANNUAL REPORT 2017-18</b>		
	a) The Chairman indicated that he had some minor changes to the presentation text that he would share with the officers outside of the meeting.	<b>Cllr Shellens / Neil Hunter</b>	Changes provided. <b>ACTION COMPLETED</b>
	b) In response to question on when debt performance targets could be expected to improve, the response was within the first three months of the year. <b>The Chairman asked that Internal Audit should follow up on this commitment.</b>	<b>M Kelly</b>	Action ongoing
	c) It was suggested that in future, changes to the AGS from the previous year should be highlighted in the draft document (as most of the AGS remains the same in order to make it easier for Committee to identify the key elements that had changed.	<b>M Kelly</b>	Action ongoing
<b>12.</b>	<b>MINUTE 91 - WHISTLE BLOWING POLICY ANNUAL REPORT</b>		
	a) The Chairman indicated that he had some drafting issues that he would share with the lead officers after the meeting.	<b>M Kelly / Chair-man</b>	These have been passed on. <b>ACTION COMPLETED</b>

	b) it was requested that a further report should come back to the September Committee with update details of the number complaints received under the Policy to help Members consider further, the effectiveness of the current publicity measures.		Action ongoing.  The report is included on the forward agenda plan with the title 'Revised Whistleblowing Policy'.
	c) It was agreed that the officers and the Councillor should arrange a further meeting to establish any changes required to the text of 2.4 and seek to resolve any other concerns the Member had with the currently worded policy.	<b>M Kelly / Cllr White-head</b>	This is being progressed.
<b>13.</b>	<b>MINUTE 92 - INTEGRATED RESOURCES AND PERFORMANCE REPORT (IRPR) FOR THE YEAR ENDING 31st MARCH 2018</b>		
	<p>a) It was agreed that officers would change the future presentation to include start of year bassline figures as standard in future reports and would provide details on trends outside of the meeting.</p> <p>b) The need to include a title to the pie chart Corporate Risk Register indicator information on page 120 for future reports and if practicable, increase the size of the text.</p>	<p><b>T Barden</b></p> <p><b>T Barden</b></p>	<p>This information in the form of a document attachment with trends for the past year was provided in an e-mail from Democratic Services on 31<sup>st</sup> May 2018. This also acknowledged that both Audit and Accounts Committee and General Purposes Committee had asked for information on the starting position of the activity numbers in the front few pages of the IRPR. The intention was that the changes on bass line figures would be provided in the report which this Committee will receive at its September meeting.</p> <p>Titles were included in the report on the current agenda.</p> <p><b>ACTION COMPLETED</b></p>



	g) there was a request that in respect of the debt management report scheduled for the Committee, the lead officer should attend to be able to answer questions of detail. <b>Action</b>	<b>T Kelly / R Sanderson</b>	The report is included in the agenda plan for the September meeting and the lead officer Bob Outram has been informed that his attendance is required.
<b>ACTIONS ARISING FROM THE MINUTES OF THE 12TH JUNE 2018 COMMITTEE MEETING</b>			
<b>14.</b>	<b>MINUTE 96. DRAFT STATEMENT OF ACCOUNTS 2017-18</b>		
	Pensions Section		
	Page 132 – in the first table Item - Actuarial present value of promised retirement benefits – column titled “effect if actual results differ from assumptions” explanation sought on last lines reading “...and a one year increase in assumed life expectancy would approximately increase the liability by between £125m and £201m” on why the range shown rather than one figure. <b>The officer undertook to check the figure and provide an explanation outside of the meeting.</b>	<b>Tracy Pegram</b>	A schedule of amendments and other information requested was provided in an e-mail from Democratic Services (Rob Sanderson) dated 11 <sup>th</sup> July.
	Same section: <b>There was a request for information to be provided outside of the meeting regarding the line under the heading ‘Investment Management expenses’ - other costs - which had</b>		See above

	<b>shown an increase from £283k in 2016-17 to £1,102k in 2017-18. Action</b>		
	<b>There was a request that the following should be included in the final version of the Pension Fund Accounts:</b>	<b>Tracy Pegram</b>	See above
	<ul style="list-style-type: none"> <li>• Management expenses - A note to include a reference to comparison with the CIPFA benchmark.</li> <li>• A link to the full pension report.</li> <li>• Page 127 – taxation section – irrecoverable tax – suggest the figure is included in the section.</li> <li>• Reference to Access Pool in balance sheet note.</li> <li>• 13. Taxes on Income – page 135 – Note expanded explaining the difference between the two sets of figures.</li> <li>• Make reference in the notes 14-17 starting on page 137 that the figures do not add up across the page in the table. (The layout being a CIPFA designated requirement).</li> <li>• An income / expenditure one page summary to be provided at the beginning of the section.</li> </ul>		

	<b>The Chairman asked to see a draft in advance of the Accounts being published for the July Committee meeting.</b>	<b>Tracy Pegram</b>	This was undertaken.
<b>15.</b>	<b>MAIN ACCOUNTS</b>		
	<b>The same request as for the Pensions section that a one page income and expenditure summary be provided at the front of the Accounts Action</b>	<b>M Savage</b>	See page 29 of the Accounts document.
	<b>Comments on the Narrative Report section</b>		
	<b>Page 5 Reserves - reference to unusable reserves – request to provide an example that a member of the public could understand.</b>	<b>Martin Savage (MS) / Michelle Parker</b>	<b>Oral confirmation that included to be confirmed at meeting</b>
	<b>Page 11-12 Connecting Cambridgeshire, Cambridge North Station – request for figures to be included</b>	<b>MS</b>	<b>Oral confirmation that included to be confirmed at meeting</b>
	<b>Page 13 - Commercial Assets and Investments second paragraph first date to read 2017-18 rather than 20117-18.</b>	<b>MS</b>	<b>Oral confirmation that included to be confirmed at meeting</b>
	<b>Page 15 - after Workforce Profile section – suggested a page break be inserted so that the Statement of Accounts section starts on a new page.</b>	<b>MS</b>	<b>Oral confirmation at meeting</b>

	<b>Page 25 - Balance Sheet as at 31<sup>st</sup> March</b>		
	Replying to why cash equivalents had no figures - <b>it was indicated that there were no figures in the balance sheet and therefore required to be removed.</b>	<b>MS</b>	<b>Oral confirmation at meeting that has been removed</b>
	<b>Page 31 – Note 6. Critical Judgements in applying Accounting Policies</b>		
	<ul style="list-style-type: none"> <li><b>Reference to Balfour Beatty plc</b> reading “- to replace Cambridgeshire’s existing street lighting network and subsequent maintenance until 2016”, The Chairman suggested the <b>wording might require revisiting as this suggested every street light was to be replaced. The officers would check and amend.</b></li> </ul>	<b>MS</b>	<b>Oral confirmation at meeting on action taken</b>
	<b>Page 32 Heritage Assets</b>  <b>1.</b> The Chairman queried the reference reading “.....there remains £3.4m of Heritage Assets that have not actually been reviewed to determine their individual lengths of deposit. It was explained that following the sale of the very largest items, the items remaining were individually of very low value. <b>It was requested that</b>	<b>MS</b>	<b>Oral confirmation that included was to have been confirmed at the meeting</b>





	<p><b>Page 42 Valuation of Long Term assets</b> – in further discussion regarding the heritage assets and sculptures etc. in maintained schools, a query was raised that if a school transferred to academy status, who owned any art works displayed at the school. Officers believed that as they were only ever loaned, that the Local Authority would still own them as this was the case with Children’s Centres <b>but it was agreed this would be checked and confirmation provided to Members outside of the meeting.</b></p>	<p><b>Eleanor Tod</b></p>	<p><b>This action would be followed up as the officer was on leave at the time the report was finalised.</b></p>
	<p><b>Page 48 Reconciliation of Fair Value Measurements within Level 3 of the Fair Value Hierarchy</b> – The line reading ‘<b>Total gains (or losses) for the period included in Surplus or deficit on revaluation of Long Term Assets</b> – <b>Action: need to make clear which it was.</b></p>	<p><b>MS / ET</b></p>	<p><b>An oral update to be provided on the action taken.</b></p>
	<p><b>Page 62 Senior officers’ salaries</b> – these were shown as a pro-rata. It was indicated that the <b>Executive Director People and Communities</b> was a 50/50 split this year and therefore note 2. would need to change. Officers would also check with BDO if a note was required to highlight that the Monitoring Officer had resigned since the end of the financial year.</p>	<p><b>MS</b></p>	<p><b>An oral update to be provided.</b></p>

	<p>Page 63 Remuneration Banding Table – In respect of the one person in the £155-159k range this was the salary and redundancy package. It was suggested that an <b>explanation should be included that it was salary plus on-costs, as it was currently misleading. Action</b></p>	<p><b>MS</b></p>	<p><b>An oral update to be provided.</b></p>
	<p><b>Page 64-65 - Note 34 and Table - Dedicated Schools Grant (DSG)</b> - there was a discussion on the deficit increase resulting from high needs which was a national and not just a local issue. For 2018/19 there was a transfer from the Schools Block to support the high needs position. If the pressure continued to grow in the future, it would need to be met from the DSG. <b>Action: The Chairman asked for a note to be sent to him on what action was being undertaken.</b></p>	<p><b>Rob Sanders on to contact Lou Williams</b></p>	<p>Actioned in an email from Democratic Services (Rob Sanderson) on 29<sup>th</sup> June 2018 providing the background document titled 'Change for Children's Services in Cambridgeshire'</p> <p><b>ACTION COMPLETED</b></p>
	<p><b>Page 66 - Note 35 Grant Income – table titled Grant Income supplied with Mandate Requirements</b></p> <p>Line 'Pupil Premiums' – <b>The Chairman requested an explanation on it going down from £10,133M to £9,366m - action</b></p>	<p><b>Jon Lee</b></p>	<p>This information was provided in an e-mail from Democratic Services (Rob Sanderson) to the Committee dated 26<sup>th</sup> June 2018.</p> <p>The movement in the Pupil Premium Grant that the Local Authority receives is due almost entirely to academy conversions and therefore the grant no longer coming to the local authority. There has been a 1.6% increase in the total number of pupils between October 2016 and October 2017 as follows:</p> <p>78,940 in Oct 2016 census 80,189 in Oct 2017 census</p>

			<p>There has also been a 1.3% increase in FSM pupil premium grant being awarded in total over the last 2 years, so a very small change in the number of eligible pupils meaning the balance of grant funding has shifted from the local authority to academies. This is the data from the grant allocations spreadsheets for the main Pupil Premium Grant.</p> <table border="1"> <thead> <tr> <th></th><th>Total LA funded FSM premium (L)</th><th>Total ESFA funded FSM premium (M)</th><th>TOTAL</th></tr> </thead> <tbody> <tr> <td>2017-18</td><td>£7,665,717</td><td>£8,871,919</td><td>£16,537,636</td></tr> <tr> <td>2016-17</td><td>£8,509,091</td><td>£7,824,114</td><td>£16,333,206</td></tr> </tbody> </table> <p><b>ACTION COMPLETED</b></p>		Total LA funded FSM premium (L)	Total ESFA funded FSM premium (M)	TOTAL	2017-18	£7,665,717	£8,871,919	£16,537,636	2016-17	£8,509,091	£7,824,114	£16,333,206
	Total LA funded FSM premium (L)	Total ESFA funded FSM premium (M)	TOTAL												
2017-18	£7,665,717	£8,871,919	£16,537,636												
2016-17	£8,509,091	£7,824,114	£16,333,206												
	<p><b>Page 69 – This Land Companies</b> - the Chairman queried the title as the subsequent text seemed to suggest there was only one company. It was explained that several had been incorporated in the last year. The information was provided in the Group Accounts. <b>The Chairman asked the officers to look at the text again to see if any re-wording was required.</b></p>	MS	<p><b>An oral update to be provided.</b></p>												

	<b>Page 69 – Opus LGSS People Solutions Ltd</b>  In response to questions it was indicated that the Country Council joined last year with the Suffolk County Council the lead authority. <b>The entry needed to be changed from stating there was a debtor balance to a creditor balance</b>	<b>MS</b>	<b>An oral update to be provided regarding this action.</b>
	<b>Page 79 Local Government Pension Scheme</b> – In response for an explanation on the line titled 'current service costs' which had increased by £18m, it was explained that this was an Actuarial adjustment . <b>Officers indicated that they would ask the Actuary what the figure was made up of.</b>	<b>MS to ask Actuary to provide a note</b>	An e-mail providing this information was provided by Democratic Services (Rob Sanderson) on 5 <sup>th</sup> July 2018 containing the Hymans Robertson Cambridgeshire Pension Fund Actuarial Valuation as at 31 <sup>st</sup> March 2018.  <b>ACTION COMPLETED</b>
	<b>Actuarial gains / losses lines - required explanation</b>	<b>MS / T Pegram</b>	<b>Oral update to be provided.</b>



**STATEMENT OF ACCOUNTS 2017-18 UPDATE**

*To:*               **Audit and Accounts Committee**

*Date:*           **30<sup>th</sup> July 2018**

*From:*          **Head of Integrated Financial Services**

**INTRODUCTION**

Work on the final 2017/18 Statement of Accounts document has continued since it was published with the Audit and Accounts Committee meeting papers on Thursday 26<sup>th</sup> July 2018. The changes made since the version published are as follows:

- Adjustments to group accounts – see revised pages;
- Expenditure and Funding Analysis (note 1): added a table reconciling between EFA and Outturn Integrated Resources and Performance Report;
- Adjustments to Financial Instruments note – see revised pages;
- Additional related parties disclosure:  
“All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them. One interest has been disclosed that may be significant to the related party as follows:
  - A close relative of a senior officer is Director of Social Care for the Chartwell Group, who provide residential education provision. Cambridgeshire children are placed at Chartwell Group facilities and as such the Council made payments in 2017/18 of £417k to the Chartwell Group. The senior officer but does not make decisions or have any involvement with which facilities children are placed at”;
- Additional wording in the Nature and Extent of Risks Arising from Financial Instruments note (note 40) relating to credit risk:  
“The Council’s credit risk exposure to its customers and entities that it loans funds to (such as This Land Limited) is monitored and regularly reviewed to ensure that money owed to the Council is paid as it falls due. The value of these amounts are impaired if it’s felt that that this debt would not be recoverable”;
- Cash and Cash Equivalents note (note 21): adjustment between cash, cash equivalents and overdraft lines (no change to overall balance);
- Restatement of 2016/17 Comprehensive Income and Expenditure Statement service line income and expenditure now added to Prior Period Adjustments note (note 5);
- In the Nature and Extent of Risks Arising from Financial Instruments note (note 40), the table disclosing the outstanding invoices due but not impaired has been increased from £2,000k to £4,116k to include 1-30 day overdue invoices;

- Adjustments to the Cash Flow Statement – see revised page;
- Adjustment relating to an Indexation exercise to increase land and building values to make them materially accurate at 31<sup>st</sup> March 2018. The adjustment made was as follows:

Balance Sheet – PPE Land and Buildings: Debit (Increase) £22,171k

Balance Sheet – Assets Held for Sale: Debit (Increase) £88k

Balance Sheet – Revaluation Reserve: Credit (Increase) £22,259k

CIES Other Comprehensive Income – Surplus on Revaluation of Property, Plant and Equipment: Credit (Increase) £22,259k

MiRS: credit (Decrease) £22,259k



## CASH FLOW STATEMENT

2016-17 £000		2017-18 £000
<b>132,922</b>	<b>Net deficit on the provision of services</b>	<b>96,731</b>
-38,350	Depreciation	-37,331
-48,199	Impairment and downward valuations	-12,142
-	Amortisation	-288
-25	Movement in impairment for bad debts	-569
-25,679	Increase (-)/ decrease in creditors	6,991
14,601	Increase/ decrease (-) in debtors	4,807
-26	Increase/ decrease (-) in inventories	-64
-21,952	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-21,619
-88,538	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-76,635
6,488	Other non-cash items charged to the deficit on the provision of services	4,440
<b>-201,679</b>	<b>Adjustments to the net deficit on the provision of services for non-cash movements:</b>	<b>-132,410</b>
252	Proceeds from the sale of property, plant and equipment	2,893
69,480	Grants for financing capital expenditure	58,380
-	Any other items for which the cash effects are investing or financing activities	-28,114
<b>69,732</b>	<b>Adjustments for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>33,159</b>
<b>974</b>	<b>Net cash flows from Operating Activities</b>	<b>-2,520</b>
112,433	Purchase of property, plant and equipment	96,633
-	Purchase of short-term and long-term investments	28,170
-252	Proceeds from the sale of property, plant and equipment	-3,407
-61,221	Capital Grants Received	-72,089
<b>50,961</b>	<b>Investing Activities</b>	<b>49,307</b>
-173,476	Cash receipts of short and long-term borrowing	-300,000
2,166	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-303
92,512	Repayments of short and long-term borrowing	242,162
<b>-78,797</b>	<b>Financing Activities</b>	<b>-58,141</b>
<b>-26,862</b>	<b>Net increase (-)/ decrease in cash and cash equivalents</b>	<b>-11,354</b>
1,064	Cash and cash equivalents at the beginning of the reporting year	27,926
<b>27,926</b>	<b>Cash and cash equivalents at the end of the reporting year <a href="#">(note 21)</a></b>	<b>39,280</b>

The purpose of this statement is explained in the Narrative Report (page 17).



## GROUP ACCOUNTS

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### FOREWORD

Cambridgeshire County Council established a wholly owned housing company in order to derive a financial return, which was incorporated on 17 June 2016. The underlying objective of creating a commercial vehicle of this nature is to provide new revenue sources to support the delivery of front line services to Cambridgeshire residents. From 15 February 2018, the company was renamed 'This Land'. Previously, the company was known as Cambridgeshire Housing & Investment Company but has now rebranded and changed its name at Companies House.

'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group.

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and This Land Limited have been consolidated.

The Group Accounts are presented in addition to the Council's 'single entity' financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement

These statements are set out on the following pages, together with accompanying disclosure notes. Disclosure notes have only been included in the group accounts section where they are materially different from those of the Council's single entity accounts.

## GROUP ACCOUNTS

### GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 16).

Gross Expenditure	2016-17 Gross Income	Net Expenditure/ Income (-)		Gross Expenditure	2017-18 Gross Income	Net Expenditure/ Income (-)
£000	£000	£000		£000	£000	£000
113,253	-26,446	86,807	Place and Economy	139,181	-50,826	88,355
693,108	-369,976	323,132	People and Communities	699,159	-430,121	269,038
21,301	-21,027	274	Public Health	27,156	-26,505	651
12,147	-696	11,451	Corporate Services	24,409	-2,846	21,563
8,127	-1,630	6,497	LGSS Managed	5,049	-1,277	3,772
20,475	-12,818	7,656	Commercial & Investments	22,461	-18,092	4,369
25,154	-13,319	11,835	LGSS Operational	22,059	-10,741	11,318
<b>893,565</b>	<b>-445,913</b>	<b>447,652</b>	<b>Cost Of Services</b>	<b>939,474</b>	<b>-540,408</b>	<b>399,066</b>
88,668	-	88,668	Other operating expenditure	73,935	-	73,935
43,121	-6,749	36,372	Financing and investment income/ expenditure	40,898	-3,281	37,617
-	-439,770	-439,770	Taxation and Non-Specific Grant Income	-	-412,349	-412,349
		132,922	<b>Surplus (-) or Deficit on Provision of Services</b>			98,276
		-101,748	Surplus on revaluation of Property, Plant and Equipment			-78,198
		28,819	Impairment and revaluation losses charged to the Revaluation Reserve			27,014
		8,478	Re-measurement of net pension benefit/ liability			-24,378
		-64,451	<b>Other Comprehensive Income and Expenditure</b>			-75,562
		68,471	<b>Total Comprehensive Income (-) and Expenditure</b>			22,714

## GROUP ACCOUNTS

### GROUP BALANCE SHEET

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 17).

31-Mar-17		31-Mar-18
£000		£000
1,779,154	Property, Plant and Equipment	1,792,349
20,705	Heritage Assets	21,214
7,222	Investment Property	9,101
258	Intangible Assets	4,781
400	Long Term Investments	400
71,370	Long Term Debtors	50,296
<b>1,879,108</b>	<b>Long Term Assets</b>	<b>1,878,141</b>
3,531	Assets Held for Sale	9,448
924	Inventories	860
102,910	Short Term Debtors	99,877
27,926	Cash and Cash Equivalents	66,138
<b>135,291</b>	<b>Current Assets</b>	<b>176,323</b>
-95,399	Short Term Borrowing	-148,522
-127,432	Short Term Creditors	-125,075
-4,013	Provisions	-3,715
-6,829	Capital Grants and Contributions Receipts in Advance	-2,928
<b>-233,673</b>	<b>Current Liabilities</b>	<b>-280,240</b>
-5,682	Provisions	-5,824
-345,298	Long Term Borrowing	-351,214
-633,190	Other Long Term Liabilities	-625,731
-23,326	Capital Grants and Contributions Receipts in Advance	-40,936
<b>-1,007,495</b>	<b>Long Term Liabilities</b>	<b>-1,023,705</b>
<b>773,232</b>	<b>Net Assets</b>	<b>750,519</b>
157,778	Usable Reserves	128,703
615,454	Unusable Reserves	621,816
<b>773,232</b>	<b>Total Reserves</b>	<b>750,519</b>

## GROUP ACCOUNTS

### GROUP MOVEMENT IN RESERVES STATEMENT

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 17).

	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
<b>Balance at 1-Apr-16</b>	<b>85,597</b>	<b>-</b>	<b>124,769</b>	<b>210,366</b>	<b>631,337</b>	<b>841,703</b>
Movement in 2016-17:						
<b>Total comprehensive income and expenditure</b>	<b>-132,922</b>	<b>-</b>	<b>-</b>	<b>-132,922</b>	<b>64,451</b>	<b>-68,471</b>
Adjustments between accounting and funding basis under regulations	134,030	1,116	-54,812	80,334	-80,334	-
<b>Increase/ decrease (-) in 2016-17</b>	<b>1,108</b>	<b>1,116</b>	<b>-54,812</b>	<b>-52,588</b>	<b>-15,883</b>	<b>-68,471</b>
<b>Balance at 31-Mar-17</b>	<b>86,705</b>	<b>1,116</b>	<b>69,957</b>	<b>157,778</b>	<b>615,454</b>	<b>773,232</b>
Movement in 2017-18:						
<b>Total comprehensive income and expenditure</b>	<b>-96,731</b>	<b>-</b>	<b>-</b>	<b>-96,731</b>	<b>74,017</b>	<b>-22,714</b>
Adjustments between accounting and funding basis under regulations	88,668	-1,116	-19,896	67,656	-67,656	-
<b>Increase/ decrease (-) in 2017-18</b>	<b>-8,063</b>	<b>-1,116</b>	<b>-19,896</b>	<b>-29,075</b>	<b>6,361</b>	<b>-22,714</b>
<b>Balance at 31-Mar-18</b>	<b>78,642</b>	<b>-</b>	<b>50,061</b>	<b>128,703</b>	<b>621,815</b>	<b>750,518</b>

## GROUP ACCOUNTS

### GROUP CASH FLOW STATEMENT

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 17).

2016-17 £000		2017-18 £000
<b>132,922</b>	<b>Net deficit on the provision of services</b>	<b>98,276</b>
-38,350	Depreciation	-37,331
-48,199	Impairment and downward valuations	-12,142
-	Amortisation	-288
-25	Movement in impairment for bad debts	-569
-25,679	Increase (-)/ decrease in creditors	6,408
14,601	Increase/ decrease (-) in debtors	-23,024
-26	Increase/ decrease (-) in inventories	-64
-21,952	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-21,619
-88,538	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-76,635
6,488	Other non-cash items charged to the deficit on the provision of services	4,440
<b>-201,679</b>	<b>Adjustments to the net deficit on the provision of services for non-cash movements:</b>	<b>-160,824</b>
252	Proceeds from the sale of property, plant and equipment	2,893
69,480	Grants for financing capital expenditure	58,380
-	Any other items for which the cash effects are investing or financing activities	56
<b>69,732</b>	<b>Adjustments for items included in the deficit on the provision of services that are investing and financing activities</b>	<b>61,329</b>
<b>974</b>	<b>Net cash flows from Operating Activities</b>	<b>-1,219</b>
112,433	Purchase of property, plant and equipment	96,644
-252	Proceeds from the sale of property, plant and equipment	-3,407
-61,221	Capital Grants Received	-72,089
<b>50,961</b>	<b>Investing Activities</b>	<b>21,148</b>
-173,476	Cash receipts of short and long-term borrowing	-300,000
2,166	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-303
92,512	Repayments of short and long-term borrowing	242,162
<b>-78,797</b>	<b>Financing Activities</b>	<b>-58,141</b>
<b>-26,862</b>	<b>Net increase (-)/ decrease in cash and cash equivalents</b>	<b>-38,212</b>
1,064	Cash and cash equivalents at the beginning of the reporting year	27,926
<b>27,926</b>	<b>Cash and cash equivalents at the end of the reporting year</b>	<b>66,138</b>

## GROUP ACCOUNTS

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### NOTES TO THE GROUP ACCOUNTS

#### 1. GROUP BOUNDARY

This Land Limited was incorporated on 17 June 2016 (as Cambridgeshire Housing and Investment Company Limited). All the share capital of the company was acquired by Cambridgeshire County Council. Cambridgeshire County Council owns 100% of the share capital of This Land Limited. This Land Ltd is a subsidiary for accounting purposes, and have been consolidated into the Council's group accounts. None of the other Trading Companies in which the Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be seen within the Related Parties note in the Council's single entity accounts (Note 33).

#### 2. BASIS OF CONSOLIDATION

The financial statements of This Land Limited have been consolidated with those of the Council on a line by line basis; which has eliminated balances, transactions, income and expenses between the Council and the subsidiary. The financial year for This Land Limited ends on 31st December; the following documents have been used in the consolidation for the period 1 April 2017 to 31 March 2018:

- This Land Limited Financial Statements for the period ended 30 June 2017 (apportioned for three months);
- This Land Limited Financial Statements for the period ended 31 December 2017;
- This Land Limited management accounts for the period 1 January 2018 to 31 March 2018.

#### 3. BUSINESS ACTIVITIES OF THE SUBSIDIARIES

This Land Limited (and its subsidiaries) has been established as a housing company that will commercially deliver residential housing on sites currently used for other purposes.

#### 4. ACCOUNTING POLICIES

In preparing the Group Accounts the Council has aligned the accounting policies of the subsidiaries with those of the Council. The accounting policies of This Land Limited are the same as those of Cambridgeshire County Council (refer to Appendix 1), with the following addition for This Land Limited:

- **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider it is more likely than not that there will be suitable taxable profits which the underlying timing differences can be deducted.



## GROUP ACCOUNTS

### 5. LONG TERM DEBTORS

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

31-Mar-17 £000		31-Mar-18 £000
9,572	Bodies external to central government (i.e. all other bodies)	8,707
40,209	Central government bodies	20,000
21,589	Long term finance lease receivable	21,589
<b>71,370</b>	<b>Total</b>	<b>50,296</b>

### 6. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

The following categories of financial Instrument are carried on the combined Balance Sheets of the group. The main changes from the single entity accounts relate to the Cash & Cash Equivalents, Borrowings and Loans and Receivables as these transactions have been eliminated as part of the production of the draft accounts

	Long-term		Current	
	31-Mar-17 £000	31-Mar-18 £000	31-Mar-17 £000	31-Mar-18 £000
<b>Investments:</b>				
Available-for-sale financial assets	400	400	-	-
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	-	-	27,926	66,138
<b>Loans and receivables:</b>				
Loans and receivables (excluding prepayments)	71,370	50,296	82,052	66,525
<b>Borrowings:</b>				
Financial liabilities at amortised cost	-345,298	-351,214	-95,399	-148,522
<b>Other liabilities:</b>				
Other liabilities	-123,323	-118,623	-83,408	-96,179

## GROUP ACCOUNTS

### 7. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

31-Mar-17		31-Mar-18
£000		£000
-	Cash held by the Council	62
35,459	Cash equivalents	66,076
-7,533	Overdraft	-
<b>27,926</b>	<b>Total Cash and Cash Equivalents</b>	<b>66,138</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-17 £000	31-Mar-18 £000	31-Mar-17 £000	31-Mar-18 £000
<b>Investments:</b>				
Available-for-sale financial assets	400	400	-	-
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents	-	-	27,926	39,280
<b>Loans and receivables:</b>				
Loans and receivables (excluding prepayments)	71,370	78,466	82,052	66,525
<b>Borrowings:</b>				
Financial liabilities at amortised cost	-345,298	-351,214	-95,399	-148,522
<b>Other liabilities:</b>				
Other liabilities	-123,323	-118,623	-83,408	-96,179

#### Income, Expense, Gains and Losses

	2016-17				2017-18			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	26,090	-	-	26,090	27,675	-	-	27,675
<b>Total expense in the Deficit on the Provision of Services</b>	<b>26,090</b>	<b>-</b>	<b>-</b>	<b>26,090</b>	<b>27,675</b>	<b>-</b>	<b>-</b>	<b>27,675</b>
Interest income	-	-1,408	-	-1,408	-	-1,928	-	-1,928
<b>Total income in the Deficit on the Provision of Services</b>	<b>-</b>	<b>-1,408</b>	<b>-</b>	<b>-1,408</b>	<b>-</b>	<b>-1,928</b>	<b>-</b>	<b>-1,928</b>
<b>Net gain (-) / loss for the year</b>	<b>26,090</b>	<b>-1,408</b>	<b>0</b>	<b>24,682</b>	<b>27,675</b>	<b>-1,928</b>	<b>-</b>	<b>25,747</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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### Fair Values

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

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis. All other available for sale investments are carried at historic cost, as a fair value cannot be established or they are commercially sensitive. The total value of these available for sale investments at 31 March 2018 is £400k. These relate to Municipal Bonds Agency financial assets.

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

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

Except for the financial assets carried at fair value, all other financial assets and financial liabilities represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

All other financial assets are classed as Loans and Receivables. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. Our accounting policy uses premature repayment borrowing rates to discount the future cash flows. The fair values are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair value hierarchy for financial liabilities

	31 March 2017		31 March 2018	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-283,482	-402,822	-283,398	-391,618
Non-PWLB borrowing	-157,214	-215,186	-216,338	-275,380
Short term creditors/payables	-83,408	-83,408	-96,179	-96,179
Long term finance lease & PFI liability	-123,323	-123,323	-118,623	-118,623
<b>Financial liabilities</b>	<b>-647,427</b>	<b>-824,739</b>	<b>-714,538</b>	<b>-881,800</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £391.618m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £283.398m would be valued at £350.016m. But if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair value hierarchy for financial assets

	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and Cash Equivalents	£000 27,926	£000 27,926	£000 39,280	£000 39,280
Short term debtors (excluding prepayments)	82,052	82,052	66,525	66,525
Long term debtors	71,370	71,370	81,266	81,266
<b>Loans and receivables</b>	<b>181,348</b>	<b>181,348</b>	<b>187,071</b>	<b>187,071</b>
Municipal Bonds Agency	400	400	400	400
<b>Available for Sale</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>

The fair value of the assets is the same as the carrying amount because the Council's portfolio of loans and receivables amortised cost is a fair approximation of their value. The fair value of long term debtors is also taken to be the carrying amount.

### 19. FAIR VALUE HIERARCHY

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2018
	Level 2 £000	Level 3 £000	£000
<i>Fair value measurements for:</i>			
Surplus Assets	2,651	803	3,454
Assets Held for Sale	3,394	6,053	9,447
Investment Properties	9,029	72	9,101
	<b>15,074</b>	<b>6,928</b>	<b>22,002</b>

**AUDIT AND ACCOUNTS COMMITTEE: MINUTES**

**Date:** Tuesday, 31st July 2018

**Time:** 9.30am-3.55pm

**Place:** Council Chamber, Shire Hall, Cambridge

**Present:** Councillors: I Bates (substituting for Cllr Hudson), C Boden (substituting for Cllr McGuire), J French (substituting for Cllr Wells), N Kavanagh, M Shellens, (Chairman), T Rogers (Vice Chairman) and J Williams

**Apologies:** Councillors Hudson, McGuire and D Wells

The Chairman welcomed everyone to the meeting.

**112. DECLARATIONS OF INTEREST**

Councillor French declared a non-statutory disclosable interest under the Code of Conduct as a Member of March Town Council and Fenland District Council.

**113. PETITIONS AND PUBLIC QUESTIONS**

No petitions had been received.

As there were a large number of public questions, the Chairman proposed that standing orders should be suspended.

It was resolved unanimously to suspend standing order section 9 of Part 4- Rules of Procedure, Part 4.4 –Committee and Sub-Committee Meetings.

The Chairman advised that he would be taking the public questions at the relevant sections of the report.

**114. COMMUNITY TRANSPORT**

The Chairman explained that the main purpose of the meeting was for the Committee to consider the conclusions of a report by external consultant PKF Littlejohn LPP ('PKF'), an independent firm of Chartered Accountants, into issues raised regarding the operation of Community Transport in the county, specifically the operation of the Fenland Association for Community Transport (FACT), Huntingdonshire Association for Community Transport (HACT) and Ely & Soham Association for Community Transport (ESACT), together known

as 'FH&E'. Their report, which had been made public, considered 55 issues raised by Cambridgeshire Bus, Coach and Taxi Association (CBCTA) on this subject.

The Chief Internal Auditor explained to the Committee why the report had been commissioned, setting out the chronology from where concerns had first been raised in 2013. In 2016 PKF had been commissioned as an independent external investigator to examine 55 issues specified by the key complainants. The costs of this work to date were approximately £170,000. The County Council had fully accepted the findings of PKF, and had developed a full and comprehensive Action Plan to address all of the PKF findings. Additionally the Chief Executive had instituted a disciplinary investigation, having taken the advice of the Head of Human Resources. Two referrals had also been made to the Police, in relation to allegations of fraud – one relating to letters submitted in support of a grant funding request, and one regarding responses to a County Council Community Transport customer survey. There had been a Memorandum of Understanding between the consultants, the Council and the Police in relation to information sharing. The Police had concluded that the investigated actions did not highlight criminality but their conclusions were consistent with the PKF findings, and have therefore informed the Council's response in confirming that the issues raised were serious.

The external consultants, PKF, explained how they had produced the report, and the individual skillsets and experience the team had drawn upon when conducting its investigations. The 55 areas for investigation had been agreed with CBCTA in March 2017. The process used was set out, including how information was gathered from various sources, including legislation, and how meetings and telephone interviews with various parties involved, including F&HE, had been carried out.

The draft report had been submitted to Cambridgeshire County Council (CCC), Huntingdonshire District Council (HDC), East Cambridgeshire District Council (ECDC) and FH&E, for comments on accuracy. Following advice from CCC, all individuals' names were redacted, except those of Councillors. The final report was issued on 11 July 2018.

The Chairman invited the Chief Executive, to make a brief statement giving an overview of the council's response.

Firstly, the Chief Executive stated that many of the complaints put forward by the Taxi Association were legitimate and related to very serious matters, and she apologised to the taxi drivers for the way the County Council had failed to handle their complaints over a number of years, and she looked forward to meeting with the taxi drivers in the near future.

The Chief Executive advised that she had wanted any issues relating to County Council processes to be dealt with immediately, and had compiled an action plan with the assistance of the Chief Internal Auditor. Most actions had already been completed, with a few still ongoing, and there might be further



actions coming from this Committee. Moreover, she would be ensuring that the actions would continue to be adhered to rigorously going forward, and the Committee would receive reports on the implementation of actions. Additional staff would be employed to enforce the grant conditions.

The Chief Executive had had meetings with the three Trustees of FH&E. The action plan specified actions to be taken not only by the County Council but also the FACT Board. It had been made clear to FACT that the Council's trust and confidence in them must be restored if the Council was to judge them to be fit and proper to continue to contract with them going forward. The Chairman commented that his intention was that the Committee would also keep this issue under robust review and ensure that actions were carried out as agreed.

The Chairman explained that in view of the considerable public interest in this matter, the Committee had waived Standing Orders to enable members of the public to speak. The report would be considered in different sections, and speakers invited to speak at the appropriate section. A transcript of all the questions asked would be published on the County Council's website.

### **Grant applications**

The consultants PKF summarised their findings on Grant Applications. The main issues that were considered were whether the grant applications from FH&E were factually accurate, and whether grant money had been used for the purpose specified. The following issues had come to light during the investigations:

- correspondence from FACT in relation to funding indicated it was a registered charity, i.e. a charity registered with the Charities Commission, but this was not the case. FACT was an exempt charity registered under the Co-operative and Community Benefit Societies Act 2014;
- specific grant applications made by FACT indicated that FACT had over 5000 members, when it had far fewer (less than 1500) at the time of the applications;
- annual grants had been paid by CCC to FH&E every year since 2013/14, totalling at least £52,360 per annum. The purposes specified for these loans were noted. There was no segregation of accounts in the FH&E organisations, so it was unclear whether this funding had been spent appropriately. In addition, FACT and HACT had received grants and loans from the County Council for radio equipment, and HACT had received a grant and loan totalling over £200,000 for its start-up costs;
- FACT did not provide monitoring milestones by which performance was to be judged in its grant application, and CCC did not follow this up.

The Chief Executive set out the actions identified in the Action Plan, including the reframing and redrafting of the grant monitoring framework, and a grant agreement. Copies of the relevant documents had been made available to the Committee Members. Mandatory guidance had been issued to all staff involved in grants to charities and voluntary organisations. Additional staff were being employed to enforce grant conditions, as monitoring by CCC was something that had been seriously lacking. In response to a Member question, it was confirmed that those staff should be in post by autumn, or the end of November at the latest.

A number of public questions were raised under grant applications (see p1-7 of **Appendix 1**).

On the subject of taxation raised in the public questions, the consultants PKF reiterated that FACT was an exempt charity with HMRC, but was not regulated by or registered with the Charity Commission. Activities fulfilling the organisation's primary purpose were not taxable, but any commercial income from other (trading) activities was subject to Corporation Tax after a £50,000 threshold.

The Chief Executive commented on the following points raised by the speakers:

- not only had the County Council objectively assessed the actions required to address the findings in the PKF report in terms of its own actions and processes, but the Council would also be objectively assessing the actions taken by FH&E in relation to this report;
- that she had commissioned the external consultants PKF to investigate these matters following her initial meetings with the Taxi Association, and had asked the Taxi Association to specify the scope of the report, as she took the allegations extremely seriously. Moreover, she had taken immediate action following publication of the report to assess the County Council's position and had committed to objectively assessing the fitness of FACT by 06/08/18.

Individual Members raised the following points:

- asked PKF whether there was any evidence that the County Council's representative on the FACT Board had challenged or raised concerns in any way about FACT's activities. PKF confirmed that they had found no such evidence. The Member suggested that the County Council's representative should be asked to resign, but further felt that such appointments to outside bodies should be scrutinised. In discussion, Members agreed and felt that the exact nature of the membership on the Board i.e. as a full Member or as an observer, needed to be established, and the broader issues of Member appointments by the Council to outside bodies, and Members' responsibilities on those bodies, should be clarified, and training provided as appropriate;

- in relation to the apparent significant failures in FH&E's management and stewardship, a Member commented that he found it unbelievable that a junior member of staff was personally responsible for all false statements made in numerous grant applications, and asked the consultants if that was their view. PKF responded that in interviews with Mrs Philpott, she had advised the actions had been taken by a junior member of staff, but had conceded that it was her responsibility to oversee those members of staff and the paperwork they had issued. The Member asked if PKF believed that response. PKF responded that further independent evidence from elsewhere would be required to establish this point, e.g. seeking the expertise of a handwriting expert to confirm or disprove this issue;
- referring to documents provided by one of the questioners, a Member noted that there was a letter from FACT stating that income generated through bus and car services totalled £238,847 for the year in question (2011), but a Profit and Loss statement for the same year indicated that the FACT income was £408,814. PKF agreed to take some time to consider this matter;
- whilst welcoming the establishment of FACT's Finance and General Purposes (F&GP) Committee to deal with governance matters, a Member commented that he felt that that in itself was not sufficient.

The Chief Internal Auditor advised in respect of issues highlighted by questioners relating to Key Forensics and the Police. Key Forensics issues were not included in the scope of the PKF investigation, and were therefore not included in the report. Information had been shared between PKF and the Police which had informed these findings, but the County Council had to respect the Police decision not to take the matter further. The Council had noted both the Police findings and the PKF report, and was taking these matters seriously, and as a result the Council was seeking to restore confidence and trust in FH&E. The recommendation was that further work would not be commissioned, as the Police findings were receiving proper consideration within the Council's action plan.

Councillor Boden proposed the following addition to the recommendations set out in the report, and this was seconded by Councillor French:

FH&E be invited critically to examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

The Member acknowledged the contributions of the Chief Executive, and that many matters were historic, but felt that there had been failures of both management and stewardship within FH&E, and it was appropriate for the Committee to ask and expect the Board to reconsider its composition to ensure that it was capable of fulfilling its stewardship requirements in future.

It was noted that in view of this additional recommendation, additional or amended actions needed to be included in the Action Plan, and the Action Plan should be updated accordingly.

The Chairman asked Committee Members to consider whether the section of the Action Plan on grant applications was desirable, practical and proportionate, and whether anything needed to be added, deleted or changed.

It was agreed that recommendation (a), as set out in the covering report, be amended to note *and endorse*.

With regard to the earlier discussion on training and guidance for Members on outside bodies, a Member suggested that this was crucial, as many organisations had very specific rules and regulations. It was agreed that the Chief Executive should consider what actions may be appropriate. **Action required.**

In relation to the information and actions required from FH&E for the Council to have trust and confidence going forward, the Chairman suggested that if there were any further submissions with factual statements from FH&E, he would seek the reassurance of the Chief Internal Auditor that he had considered the details thoroughly, and was confident that the information was true and accurate. Members also discussed the possible shortcomings of FACT's external audit process.

The Chief Executive confirmed that along with the Deputy Monitoring Officer and Chief Internal Auditor, she would consider the information provided by FH&E, and judge whether there was sufficient evidence and reassurance to contract with them, based on the fit and proper person criteria. She added that determining whether the Council had confidence to contract with these organisations going forward was a very serious matter. Any changes to contracts to alternative providers would have to be carefully managed, especially given the need for continuity and the vulnerability of the clients involved. Members confirmed that they were content with that approach.

### **Annual Returns and Published Accounts**

The consultants were invited to summarise their finding on the Annual Returns and Published Accounts. It was noted that as a membership organisation, FACT was governed by its rules and Memorandum of Association, which required that Members had to be approved at either an Annual General Meeting or by its Executive Committee. PKF had not found any evidence to demonstrate this had taken place. Accounts had been audited and given a 'true and fair' assessment.

On examination by PKF, there were disclosures of Related Party Transactions that had not been made e.g. in the 2016 Accounts, transactions between FACT and the County Council should have been disclosed as Related Party Transactions, by virtue of Councillors sitting on the Executive Committee. Various other errors in the Accounts were outlined.

HACT was registered and regulated by Charity Commissioners. In reviewing the HACT Accounts, it was noted that their accounts were not audited, as the organisation was beneath the threshold for an external audit. Accounting policies refer to the Accounts being prepared under the 2005 Statement of Recommended Practice (SORP) when they should be prepared under the 2015 SORP. As a result, there were a number of errors and omissions from the Trustees' Report. Capital grant received should have been registered as income received, which was not the case. As a general point, charities were required to undertake activities which fulfil their objectives, and there was a £50,000 threshold for trading activities, after which point Corporation Tax was payable.

The Chief Executive summarised the actions set out in the Action Plan in relation to this item. The Chairman commented that given some of the other issues under consideration, the issues raised in the PKF report relating to the Annual Returns and Published Accounts were not his greatest concern, however, there were clearly a number of issues to be learned and actions to be put in place going forward.

A Member asked if the Traffic Commissioner had been involved. The Chief Internal Auditor advised that the Traffic Commissioner had been made aware that the Council had commissioned PKF to carry out the investigation. The Traffic Commissioner had subsequently requested a copy of the PKF report.

A Member commented that in his experience, the adoption of the new Charities SORP had been taken up in a surprisingly piecemeal manner by the sector. PKF responded that in 2016 they had engaged with clients to ensure that the SORP was appropriately applied. However, as with any new legislation or regulations, there have been lessons learned, and the SORP Committee had issued subsequent guidance to the sector.

A number of public questions were raised under grant applications (see p7-10 of **Appendix 1**).

In response to a point raised in one of the questions, the consultants PKF confirmed that information had been received from FACT and HACT relating to the changes in the accounting figures, and PKF had also carried out a sample test of invoice figures. No anomalies had been found.

The Chief Executive commented on the matters relating to officer conduct, raised in the public questions. She advised that those matters were included in her report, and she confirmed that if there were matters for Head of Paid Service to consider, there was a process that needed to be followed, but that was not a matter for consideration at this Committee. The Chief Executive drew Members' attention to paragraph 2.5 of the report which stated *"In addition to the actions set out in Appendix 1, the Chief Executive has instituted a disciplinary investigation, having taken the advice of the Head of Human Resources in accordance with the County Council's disciplinary procedures"*. The Chairman commented that it was important not to prejudge any investigations that might take place.

The Monitoring Officer confirmed that any call for the resignation of the FH&E Board was a matter for FH&E, not for the Committee or Council.

A Member asked PKF if it was clear to them during their investigations who was an Executive Member, Non-Executive Member, observer or representative on the Executive Board. PKF advised it was unclear from some of the documentation they had seen, but it was made clear on the Financial Statements who was an advisor and who was an observer.

In noting and endorsing actions 4-8 in the Action Plan, it was noted that 4, 7 and 8 were proven, whilst 5 and 6 were not proven. It was confirmed that no actions were listed against items 5 and 6.

## **Funding**

The consultants summarised their findings on Funding. They outlined the DfT guidance, the complexity of State Aid rules, and the DfT's suggested assessment framework for local authorities to identify potential issues under State Aid rules. The issues around cross-subsidisation were explained. FH&E had not established segregation of accounting information between their community transport services and commercial contracts. The County Council did not have any set procedures to ensure that DfT guidance relating to cross-subsidisation was applied. Specific issues relating to capital purchases for the set-up of HACT, financed by grants and loans by the County Council, were explained. The issues surrounding the emergency transfer of contracts from the dissolved Nene and Ouse Community Transport to HACT were also explained.

With regard to State Aid, the relevant EU legislation was summarised, and how those regulations were applied to grants and loans to FH&E. The Committee noted that the advice of two Barristers with expertise in this field had been sought in relation to the issues involved, and the advice given by those Barristers.

The Chief Executive referred back to the new grant agreements, and how procedures were now in place to ensure cross subsidisation did not take place, and how guidance had been issued to staff. The new process for open and competitive bidding ensured grants did not constitute "state aid". An annual review of outcomes and benefits would be reported to the County Council's Economy & Environment Committee. The new monitoring arrangements required segregated accounting by grant recipients, and spot check audits of operators. The policy on grants provided more detailed advice on State Aid, and the State Aid issue had been referred to the DfT in line with the barristers' advice. The Chief Executive had raised this issue with her counterparts at Huntingdonshire and Fenland District Councils, and was happy to advise other grant funders. All loans had been repaid but one, where the final repayment was due to be made on 30 August 2018. The interest had also been paid, and the Citroen vehicle returned. Everything had been covered either in agreements or by actions.

In response to a Member question, the Chief Executive confirmed that the PKF report would be considered as part of the disciplinary process.

The Chairman advised that he would be discussing this issue with the Section 151 Officer after the meeting, and clawback would be pursued where appropriate. He was reassured that the proper rules would be in place going forward.

A Member suggested that the issue of State Aid needed to be brought to the attention of the Mayor with regard to his Bus Review.

A number of public questions were raised under Funding (see p10-13 of **Appendix 1**).

In response to a question on cross-subsidisation, it was confirmed by PKF that grant funding has been used to expand FH&E's commercial fleet.

*The meeting adjourned for lunch*

The Chief Executive advised that in considering the fit and proper person issue, the Council would be seeking assurances from FACT. This request would be for evidence, not just information, to confirm compliance.

The Committee debated the Action Plan relating to Funding.

A Member commented that he was shocked to discover that the Council did not have a policy in place to ensure that cross subsidisation did not occur, and that it had taken the PKF report to be produced for action to take place. Furthermore, he felt the actions of some Council officers were at best slipshod, in terms of documentation, recording decision making and ensuring policies were in place. He felt it unlikely that this poor performance was limited to Community Transport and sought reassurance from the Chief Executive that there were no other areas, particularly those where there was potential reputational, legal or financial liability that might emerge in the future, as a result of the Council failing to act in a professional way. The Chief Executive reassured Members that ensuring both procedure and compliance across the Council was her priority going forward.

Another Member commented that he had similar concerns in the area of contracts and agreements, the Chief Executive confirmed that this was an area that was being reviewed, and she had discussed this at length with the Chief Internal Auditor.

A Member asked PKF whether the Council could be fined by the EU for its actions. PKF responded that they this had not been brought to their attention by the barristers, but the Chief Executive agreed to follow that up. **Action required: Chief Executive.**

The Chief Executive explained that the next stage of the Action Plan would be demonstrating to the Committee that the actions put in place were being adhered to.

In response to a question on the new grant monitoring framework and grant agreement, the Chief Internal Auditor confirmed that he had reviewed this document and was satisfied with it.

The Chairman commented that there were essentially two key issues for the Committee's consideration: what was going to be done in future, and what was going to be done about the past. He was reassured by the Chief Executive's comments that if there was money to be reclaimed, State Aid or otherwise, it would be reclaimed.

### **Expansion and demand**

The consultants summarised their findings on expansion and demand. They explained that Dial-A-Ride journeys and income between 2014 and 2016 had been relatively static, but expansion had been financed through grant funding, and the significant increase in vehicle numbers for both FACT and HACT were detailed. The expanded fleet was mainly used for commercial contracts, and funded principally from grants. Conditions on those grants specified by the County Council were either not followed up, or only cursorily followed up. Since these issues had been raised, most of the issues had been addressed, or measures were being put in place.

The Chief Executive covered specific issues in relation to the grant framework, membership applications and Public Liability Insurance cover levels, and the actions that had been taken. The issues of business continuity plans, emergency and subsequent procurement were also being addressed. In terms of tendering, all contract had been retendered, and awards would be taking place shortly.

A number of public questions were raised under expansion and demand (see p14-16 of **Appendix 1**).

The consultants PKF responded to points raised by the speakers as follows:

- confirmed Mr Humphrey's figures were correct, and that the figures requested were included in the report in the appendices. For FACT (Appendix H to the report), for 2011-2013 £198,710 (238,827E), 2012-2014 £200,690 (243,249 E), for 2013-15 £180,710 (227,045E). For HACT (Appendix I) for 2014-15 £303,065 (386,348E), and for 2014-16 £366,870 (464,987E). The exchange rate conversions given were based on mid-market rates from xe.com;
- in response to a question on the possible unfair advantage that FH&E's subsidies gave them compared to non-subsidised organisations, PKF confirmed they had not looked at how competitors were funded, or the impact of competitive tenders on the market place.



The Chief Executive commented that it was not acceptable for public money to cross-subsidise commercial services, and that she would be looking to ensure this would not happen again. With regard to market failure there needed to be proper procedures for the awarding of emergency contracts and or dealing with business continuity issues, and these needed to be in line with best practice.

A Member asked what assurances could be given that some competitive advantage might not be gained by FH&E, for external work, resulting from funding that had been awarded by the County Council in the past, which had not been used appropriately i.e. for commercial expansion. The Chief Executive responded that this issue must be considered, so that the Council did not continue to confer advantage on FH&E because of past actions, and action needed taking as a result. She reassured the Committee that if funding needed to be recouped, it would be recouped.

Observing the serious difficulties the collapse of Nene and Ouse Community Transport caused in Huntingdonshire, some Members commented that it was essential that robust processes must exist throughout Council to deal with business continuity. It was noted business continuity was a major plank of the Risk Register, and there were detailed plans. The Chief Executive responded that the business continuity plan was part of the evidence pack, and contractors/providers were also required to have their own business continuity plans. This should ensure a proper and smooth transition to a new provider.

The Chairman noted that the majority of actions set out in the Action Plan on this issue were for the FH&E Board, with the remainder for specific County Council officers. It was obvious that there was a clear intention that if historic transfers of money had been misapplied, that those be recovered. There were detailed plans for future practice.

### **Licensing and Permit 19 and 22 issues**

The consultants summarised their findings on Licensing and Permit 19 and 22 issues. There was conflicting advice on the Permits for Community Transport Organisations from the DfT, Traffic Commissioner, etc. The County Council had taken its own legal advice on this issue, especially relating to organisations that undertook both commercial and non-commercial work. PKF's conclusion was that the County Council needed to introduce appropriate legal advice to ensure its procedures were amended to assist in ensuring that organisations to which it issued transport grants and contracts were compliant both with such grant and contract agreements, and relevant legislation. Individual contraventions by FH&E were also set out. FH&E were granted operators' licences in 2018.

The Chief Executive advised that, given the conflicting advice, the Council had adopted a prudent and cautious approach, with greater scrutiny being applied to all Section 19 Permits issued, requiring all commercial services to operate under an O Licence or taxi licence. This cautious approach, based on the DfT advice, appeared to be the best way to minimise the risks involved. The Chief

Executive outlined how this would be managed and monitored in practice, including annual checks through the grant monitoring agreement. It was noted that enforcement would be for Community Transport only, as District authorities had the responsibility to regulate taxi licensing.

A Member observed that driver CPCs had been introduced less than ten years previously, and there had been a transitional period before they became enforceable. He asked if time had been allowed to make the transitional arrangements. It was noted that the DfT had made it clear that operators would be given a period of grace to secure the relevant licences. It was confirmed that the Council would be checking those licences were in place.

A number of public questions were raised under Licensing and Permits 19/22 and Service Level Agreements (see p16-19 of **Appendix 1**).

A Member asked what consideration was given to the financial resources available to that entity, when an entity applied for an O licence. He pointed out that the Traffic Commissioner needed to be reassured that an entity had sufficient resources available, e.g. so it could undertake proper maintenance. Therefore the Traffic Commissioner needed to be made aware of potential breaches. The Chief Executive confirmed that any issues would be raised with the Traffic Commissioner, e.g. if any significant amounts of money had to be repaid to the Council. It was agreed that this would be an addition to the Action Plan. **Action required.**

A Member also noted the EU Commissioner's role, and suggested that this issue should be dealt with in the Action Plan. **Action required.**

### **Conflicts of Interest and Complaint Handling and Freedom of Information responses**

The consultants summarised their findings on Conflicts of Interest and Complaint Handling and Freedom of Information responses. The following key points were raised by PKF:

- it was unclear how the County Council's Community Transport Officer's signature appeared on the grant application: PKF were satisfied that he attended meetings only as an observer;
- some of FACT's Financial Statements were misleading;
- there was no evidence from FH&E meetings on how conflicts of interest had been dealt with;
- there were a number of cases where Fenland District Council and Cambridgeshire County Council had not responded appropriately to complaints;

- there had been a number of Freedom of Information (FOI) requests made by the complainants to the County Council, and examples were given where FOI responses were inadequate or inaccurate.

The Chief Executive advised:

- in relation to Conflicts of Interest, she had issued an email to all County Council staff on 23/07/18, which covered this issue comprehensively, and alerted staff to be aware when dealing with other organisations, not just in relation to Community Transport;
- the role of Community Transport Officer had been further clarified in terms of attending FH&E Board meetings. This guidance and clarity would be provided to all officers involved in this work;
- the Deputy Monitoring Officer would be taking a report to Constitution & Ethics Committee on providing guidance to Members on their roles and responsibilities on outside bodies, which was a complex and challenging area;
- with regard to the FOI requests, an officer (who was not employed by the County Council) had been commissioned to identify exactly where this issue emanated from i.e. from the FOI team or Transport team. There had been a review of record keeping and filing practices in the Transport team to ensure the required information was readily available. The Chief Executive would report back to the Audit & Accounts Committee when she had the outcome of that report.

Members raised the following points:

- asked about Membership on the FACT Board by Cambridgeshire Councillors. PKF confirmed Members attended in an advisory role, and they had investigated this issue in some detail;
- asked if other Councils could be informed of the actions the County Council was taking. **Action required.** It was also suggested that the report on Outside Bodies, to be considered by the Council's Constitution & Ethics Committee, should be shared with District authorities. **Action required.**
- expressed astonishment at the allegation of a transport officer's signature being forged, and asked what actions the Chief Executive was taking to ensure that individual was protected. The Chief Executive confirmed that she had accepted PKF's findings;
- suggested that such misconduct in public office was a criminal offence that should be brought to the attention of the Police, as this went beyond the remit of the Committee. If an individual wished to raise a complaint against any Councillor, all Councils had open and transparent policies for dealing with such complaints. (*The Member,*

*Councillor Boden, declared a non-statutory disclosable interest under the Code of Conduct as a Fenland District Councillor and Chairman of the Overview and Scrutiny Committee on that Council);*

- suggested that a thorough report back, on the Freedom of Information issues, needed to be provided to a future meeting of the Committee, as this was particularly concerning from a governance perspective.

**Action required.**

### **Thomson Local Advertising**

The consultants summarised their findings on Thomson Local Advertising. The complainants had advised that FACT had advertised on both Thomson Local and Google, and that the adverts seemed to imply that FACT was a taxi company. During the investigation, PKF were unable to identify if this was a deliberate or not.

The Chief Executive advised that as the licensing authority for FACT, the County Council would investigate and report on the relevant matters.

A number of public questions were raised under Thomson Local Advertising (see p19-20 of **Appendix 1**).

Arising from the report, Members:

- a Member commented that she had personal experience of her business's advertisements appearing in the Thomson Local, without her contacting or advertising through them;
- a Member commented that he fully accepted that it was not impossible that this had happened accidentally. However, he felt a large number of unfortunate accidents had happened in relation to FH&E, and the reputation of FH&E had suffered badly as a result;
- another Member suggested that some of the evidence provided, of an email exchange with FACT, was very damning, and did suggest that FACT had effectively been trying to operate as a taxi business.

*The Committee adjourned for a break.*

The Chairman gave those present an opportunity to make statements and/or questions, summarising any final thoughts they had on the matters under consideration (see p20-22 of **Appendix 1**).

In response to a question from Mr Mason, the Chief Internal Auditor reiterated that the costs of the investigations undertaken to date by PKF were approximately £170,000, including VAT. These costs were currently being channelled through the Milton Keynes City Council (MKCC) budget, as the Chief Internal Auditor was employed by that Council, as part of the LGSS arrangement. It had been agreed with PKF to submit invoices to MKCC, and

these would be recharged to Cambridgeshire County Council in full. There was a slight time lag before they would appear on the County Council's system as paid. The Chief Internal Auditor assured Mr Mason and the Committee, that along with the County Council's Section 151 Officer, he would ensure that this transfer would take place.

Arising from the public questions:

- a Member asked the Chief Executive why she was recommending that FH&E were permitted to get their house in order rather than just terminate contracts immediately. The Chief Executive advised that the Council had to make lawful and legal decisions, taking into consideration all the information available. This process would be undertaken, and a judgement made and decision enacted;
- the Chairman commented that the County Council should be providing essential community transport services to those living in remote areas in the most cost effective and efficient way, and asked Members who they felt was best placed to provide those services, and what governance arrangements needed to be put in place. A number of Members responded that consideration would be premature, before all possibilities, including the Mayor's Bus Review, had been taken in to consideration.
- a Member commented that he had not yet heard an apology from FH&E.

The Chairman gave those the present one final opportunity to make any final comments, where no notification had been given (see p22-25 of **Appendix 1**).

The Chief Executive concluded by saying that she had a big important task, and remained committed to going through the report recommendations. She would be meeting with the Taxi Association, and also with FACT, and would be very clear on what was required from FH&E to ensure the relationship with the County Council continued. Community Transport was extremely important, and it was vital to have the right Community Transport operating in the right way going forward.

A Member expressed her thanks to the Chief Executive for taking this difficult issue on in a very robust manner, and expressed confidence in the Chief Executive's ability to take this issue forward and to continue to monitor it.

Another Member commented that there were a large number of recommendations, but he had confidence that the Chief Executive would leave no stone unturned. He suggested that it would be helpful to have a meeting to review all actions in the action plan to ensure completion. The Chairman reassured him that the Committee would have this matter under close scrutiny, given its importance and urgency. It was agreed that an interim report would be considered in three months. **Action required.**

The Chairman thanked all those who had attended for their contributions to the meeting.

It was resolved unanimously to:

- a) note and endorse the PKF report and the Management Response, as amended in the meeting;
- b) receive updates to future meetings until all agreed actions are confirmed as implemented;
- c) invite FACT, HACT and ESACT to critically examine the current composition of their Board, with a view to rebalancing the Board to achieve a more appropriate balance of skills, experience and knowledge.

**Chairman**

***Grant Applications***

**Kit Owen (FH&E)**

Mr Chairman, operating the Dial-A-Ride service to the most isolated and disadvantaged of our community, which is why FH&E exist, make substantial losses each year, which is verified in the report. The majority of the issues raised are historic, which we have dealt with. The Board has created a Finances and General Purposes Committee (F&GP) to represent FH&E with delegated powers to act on behalf of the full Board and operate above the day to day management. A number of the issues we have sought legal advice and acted upon the advice. However, as with a number of issues such as State Aid, there is not a clear legal definition and different barristers have given different advice. Nothing has been done for personal gain. This is not to say, Chairman, that mistakes were not made, but where mistakes were made, we've accepted them and made changes to ensure will not occur again. The F&GP will undertake internal investigations in respect of staffing implications from the report findings on measures to be taken. This will be conducted by an independent HR resource, not in house. If you will permit Jo Philpott to speak on the grant applications, Chairman, I would be grateful.

**Jo Philpott (FH&E)**

Chairman, funding applications were and are followed up with phone calls enforced by our status which is clearly printed on the letterheads used. Personal visits provide full details and full explanations. There was no intention to mislead anyone. We are proud of what we do and what we've achieved. These errors are years old, they are not new, we've explained this, they will not occur again. Tight procedures are in place, they were not criminal, or for any personal gain. The Board recognises the need for change and has set about that change. In response to the incorrect use of Registered Charity status and misleading content on funding applications, as investigated by the Police, no prosecution took place. The focus was on whether I knew or believed it to be a false instrument, I was interviewed by the Police, as was the member of staff, they spoke to many donors, none of which wanted to pursue this any further. They investigated any overlap between business and my personal finances, again nothing found. I feel all we are guilty of is using our acumen and tireless effort to provide the people of our communities, accessible affordable and safe transport. Is the Committee aware our barrister confirmed we did have case for slander and libellous action from the pursuit of a few taxi drivers? Our barrister confirmed the Press coverage was biased. The benefits to our funders are significant. Better value for money, lower funding admin cost, enhanced local capacity and greater reliability. This in return for financial stability. Funders gain from FH&E that we will concentrate on service delivery as well as innovation. The very passengers for who our Community based transport exists and provide a lifeline, they are the main beneficiaries.

**Carole Mansell**

I'm Carole Mansell, I'm Finance Director of C&G Coach Services, we've been working for the Council for 33 years, and we have an excellent relationship on school bus operations. I'm concerned that on p181 of the report, the LGSS Lawyer advised the Council regarding the non tendering of some HACT contracts, that the contractors who would challenge are already contracted to Cambridgeshire County Council and "unlikely

to risk their relationship”. I trust that by speaking today I will not be risking my company’s relationship with the County Council?

*As stated on page 58 of the report “Any income earned outside of the charity’s charitable purposes, deemed non-primary purpose trading, should be disclosed as “Trading Activities”. Charities are permitted to undertake non-primary purpose activities, though any income earned over £50,000 is taxable”.*

Obviously, the operation of commercial school contracts is not FACT’s primary purpose trading activity, despite being the biggest sector of their income, representing 36% according to figures on page 64, and as such should be subject to Corporation Tax, paid by all other competing operators. Can the Council confirm then, that Corporation Tax has been paid on this part of the FACT operation and its subsidiaries operation? And if not, why not? Also this should apply to their group private hire operations – for which FACT often provide 2 or 3 minibuses at a considerably lower cost than one of our coaches to local Schools and groups that are not members of FACT.

Regarding the Grant of £54,465 paid to FACT under Section 106 grant procedures for the now cocooned Chatteris Tesco store, why did the Council recommend FACT to the developers? Many such contracts across the country are supplied by coach operators, such as us, but the Council’s recommendation excluded the possibility of this contract coming out for competitive tender and they should not have got involved in this. There is, however, a mention that this grant, paid for not operating a Tesco bus service, will be used for a local youth bus services on a Saturday night to Ely, organised with the Chatteris Town Council. I am horrified, however, to find out that this service is a commercial bus service, and the young people are being charged to ride, as FACT said it would not be sustainable in the long term without fares. FACT are already trying to pull out of this service, only commenced a few weeks ago, because of staff difficulties for weekend working and low ridership. In addition, they will, no doubt receive fuel duty rebate as well as derive an income so I hardly think this £55,000 is being repaid to the local community. I sincerely hope that Tesco remember this payment when their new store opens shortly, but at the very least they are made to contribute this money back in to Chatteris community, without any commercial gain to themselves in the future. As a commercial operator we could actually operate that service for five years without charging a single penny if we were paid £55,000 today. Thank you.

**John Elworthy**

*(microphone not on)* ... and identified as being fairly relevant this morning based on the feedback I’ve received from the members of the public who have informed my stories, and one question I would begin with which is not actually on that question that has been pre-tabled. Would the Committee agree that a sub-committee of FACT, which itself is clearly challenged by this report, will be the right people to implement changes, would it not be akin, as a fully qualified accountant said to me yesterday, to having Robert Maxwell investigate what happened to the Mirror Group Pension Fund – those with longer memories will remember that one,

Does the Audit Committee understand that the three councils specifically referred to in the report where approaches were made by FACT for funding (we’re talking about Wisbech Town Council, March Town Council and Manea Parish Council) represent only the tip of a very large iceberg in terms of Councils that were approached over a number of year, and the frequency of visits by the FACT manager Jo Philpott to solicit funds ostensibly for a Dial-A -Ride scheme?



Huntingdonshire, East Cambridgeshire and Fenland are littered with parish councils where they have got minutes which will have been reported that the FACT manager, Jo Philpott turned up to ask for money. The membership figures that were quoted, the unproven need evidenced in the three examples highlighted by PKF where work experience or temporary staff took the blame for the errors - who took the blame for all the other errors? Would the Audit Committee agree that FACT must have had a massive turnover of work experience or temporary staff for these 'errors' to have been repeated so often and across such a long period of time, and that this might be indicative of exceptionally poor management and poor stewardship by the FACT Board of Management stuffed as it is with a lot of ex-Councillors or current Councillors, including the leader, at one stage, of this Council, who must have been aware of these fraudulent figures being presented to Parish Councils across Fenland, across East Cambridgeshire, and across Huntingdonshire? Would the Audit Committee agree, however, that responsibility ought not to be ducked and that it is the FACT manager who used these figures, now admitted by herself to be false – they're 'historic' says Cllr Owen, they're not historic because they inform this debate today, but they have challenged them for years, and they have denied them for years, and until PKF were on the case, they have now been proven to be absolutely correct, and that we have been lied to constantly over many, many years, and these taxi drivers deserve some better answers than have been given so far.

### **Dave Humphrey**

I'm Dave Humphrey, as everybody I think knows. This is our opening statement. We would like to thank former Councillors Lay and Clapp for raising our concerns to the Chief Executive, and then Gillian Beasley for commissioning the investigation. We would like to thank PKF and Duncan for all their hard work and the Cambs Times for giving our campaign a voice over the last six years. After publication of the PKF report, there appeared to be a paradox forming relating to how both sides of the fence seemed pleased. Unfortunately it all became clear when we read the action plan. It appears those who ignored evidence of serious malpractice and possible criminal offences for years, and still in denial as we speak are to take charge of their own internal investigations. As John said, this is like Robert Maxwell being invited to investigate his own company's pension fraud, and that is what we believe the misappropriation of public and private funds to be. Will the Committee agree to allow the offenders, officers and FH&E Board alike, to hold themselves to account, will undermine the public trust in the Cambridgeshire County Council? As the Committee considers this case we request they ask themselves, if it was for the renewal of a private hire operator's licence, at what point would they deem the applicant as not being 'fit and proper'?

Grant funding: Firstly, we would like to make the committee aware we hold approximately 25 individual funding applications, all containing embellished information which was always been in support of the applications. Secondly, we would now like to address the statements made relating to false information and junior staff. We have supplied statements made by the FACT manager to the local press, these statements have been found to be false and misleading and clearly cannot be assigned to a temporary member of staff. In relation to allegations of documents being forged, we have supplied samples of what Key Forensics Ltd referred to as the "*specimens of Joanne Philpott*". As can be seen, within these documents are the handwritten declarations to both FACT being a registered charity and having 5,000 members.

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These handwritten statements, along with many others, were accompanied by the full signature of Mrs Philpott, again no 'PP' was shown.

In 2014 we attempted to alert the County Council to our concerns; we have supplied responses FACT sent all members, again signed by the manager. In the section called "FACT fleet of vehicles", which exclusively refers to FACT's CTS, the author first declares non-existent increase to then state, and I quote *"it has been necessary to substantially increase our fleet of vehicles. Without this increase it would not be possible to adequately serve our customers"*. Unquote. In 214 FACT had 38 Vehicles PKF declare they only need 11 for CTS. Due to allegations including possible fraud, we find it unlikely the task of refuting such serious accusations would have been allocated to a work experience member of staff. We have supplied a screenshot of FACT's 2011 Executive report which also makes massively embellished claims and the email from Mrs Philpott confirming a request for £4,000 per annum to fulfil a non-existent demand for Manea village. In this email she declares, and I quote *"...the passengers have been steadily increasing and we need to meet this demand"*. FACT's figures prove passenger demand for Manea was less than one passenger per 16 seat bus.

Again we would ask the Committee to consider, if such relentless falsifications were found to exist in a private hire operator's licence application, would you deem them to be "a fit and proper person" and issue the license?

The Board has refused to deal with these issues for six years, and even now are attempting to play down the seriousness of the offenses or their consequences. We would like to know what the Committee intends to do to protect our companies, our livelihoods and the public purse from the culture of deception, manipulation, corruption and unlawfulness by which we feel the report confirms.

### **Allen Slater**

I will quote Section 62 of the Industrial and Provident Society Act 1965

*"Every offence committed by a registered society under this Act shall be deemed to have been also committed by every officer of that society..."*

Now I will read just a few of the main headlines surrounding this case

1. Numerous false declarations, misleading statistics made to secure hundreds of thousands of pounds of funding;
2. Hundreds of thousands of public and charitable money misused;
3. Officers' signatures used in funding applications against their permission, possibly pasted and copied onto documents;
4. Broke State Aid laws to receive up to £300,000 unlawfully;
5. Massively understated State Aid in a failed attempt to unlawfully extract another £150,000 from the public;
6. Entered questionnaires with massively embellished figures and further false declarations, which compromised the Council's decision relating to the use of the bus pass concession system;
7. False instruments used to assist in funding applications;
8. Failed to pay back £60,000 or £70,000 of the public's money given as loans;
9. Operating unlicensed, and still doing so;

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10. Operating in breach of Section 19's regulations;
11. Broke endless laws, regulations and funding agreements, etc, etc, and yet no suspensions, no consequences.

In 2012, when we all started this, two taxi drivers had their families' livelihoods snatched away, they deemed to be not fit and proper for three months for simply having 6 points on their driver's licenses, this case was taken to court and the decision immediately overturned. This under the Chair of FH&E Vice Chairman Cllr Kit Owen.

We have added to this statement and now quote the Traffic Act 1985 Subsection 20a, and I quote: *"in addition to any conditions attached to such a permit by virtue of section 19/7b of this Act, the Traffic Commissioner or any other body granting such a permit, may attach to it such conditions as he or that body considers appropriate."* If the Councils refuse to hold these responsible to account, their ability to govern the transporting of society's vulnerable will be left with no credibility when dealing with lesser offences in to the future. This will put the vulnerable at risk. Therefore, will the Council use its powers, given to it by The Traffic Act, with regard to the issue of FH&E current permits, to demand the immediate resignation of the FH&E management on the grounds that they are not fit and proper.

### **Nicky**

We feel it important to highlight concerns with what has been found in the Chief Executive's summary where relating to forged documents it states:

2.6.1 *"In respect of the letters the police advise that: 'letters provided in support of this funding application may technically have been false instruments'; - 'the author was a junior member of staff'"*

This appears to be in direct conflict to the findings of Home Office approved Key Forensics who in their conclusion declared:

7.1 *I have found significant similarities between the questioned handwriting on the questioned letter, item 1, and the specimens of Joanne Philpott on items 2 to 4. In my opinion the similarities provided strong evidence that Joanne Philpott wrote out the questioned letter."*

This forensic company is held in high regard and are known to the PKF investigators from their careers within the police force.

We feel this whole section is of paramount importance as to demonstrating the level of trustworthiness regarding individuals in receipt of hundreds of thousands of pounds of the public's finances. Not to mention the possible offence of attempting to pervert the outcome of this and/or a police investigations.

If the FH&E manager has once again demanded the specimen handwriting examples used were also written out by a "junior members" of staff, will the Committee agree examples of the FH&E manager's known handwriting should be collected and assessed by Key Forensics Ltd, to determine if such claims are true?

### **Bob Steer**

My name's is Bob Steer, I'm from Gem Cabs, March Cambridgeshire.

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Is there going to be an inquiry in to the questionnaire and the bus pass concessionary system?

The police findings as to their investigations relating to the possible use of fraud to pervert the council's decisions of concessionary funding, was reported in the Chief Executive's summary, and I quote

*"In respect of the surveys the police advise that actions do not highlight criminality and specifically evidence is inconclusive that the CTA was told that it could not complete these six forms on behalf of its members."*

However, it appears to ignore the fact that the information provided was wholly false. To give two clear examples;

- firstly, the claims as to the number ESACT members who apparently have daughters or sons who worked for the Ely Standard far exceeds the number of staff actually employed by the paper;
- but of more significance, the number of FH&E members who had reported to have used the service more than three times a week generated numbers five times higher than the revenue reported in the annual accounts would confirm.

There were many other issues within these questionnaires to demonstrate a consistent and organised level of dishonesty was used to influence elected members to make a decision that would support this funding into the future.

As the questionnaires themselves confirm the level of dishonesty used to pervert the decision, we find it disturbing that FH&E have been allowed for almost two years to continue to benefit from further public funding, gained through deception. Would the Committee therefore agree for an immediate inquiry into these questionnaires and the bus pass concessionary system?

### **David Patrick**

My report is about the Police investigations. The tables on p120 and p121 are clearly described as showing how assets were funded, i.e. a commercial fleet.

In the appendices we have shown examples of the statements being made to attract funding from the public. We are confident that this will also apply to funds taken from charitable organisations. Our investigator, Woodrow Investigations Ltd, who was previously employed by the Cambridgeshire Constabulary as an economic crime investigator and currently contracted by the City of London Police stated *"use of falsifications to obtain funding over several years: this constant approach to submitting grant applications use of falsifications to suggestive of an intent rather than due to being administrative error."* This we believe is the truth. Relating to fraud investigations, he even quoted the Home Office who state *"Forces find it difficult to dedicate resources"*.

With recent headlines of the Police unable to attend burglaries, it is understandable Police don't have the appetite to investigate what to the outside world appears to be a complex fraud case. This could be argued further that fact it is assumed that no individual has benefitted from any possible offences.

We attach an email to the original investigating officer relating to reports from a garage that the FH&E manager was paying for her husband's private vehicle repairs with FACT cheques. Months after the Police investigation closed, I returned to the garage personally, who confirmed they had had a call from the Police but they never came back to pick up the evidence. Other witnesses who are connected to the family have made similar claims on social media. Just because the Police believes there is insufficient evidence to merit a prosecution, does not mean that fraud and/or theft has not been committed. Even with the investigation into a couple of isolated areas of what we regard as huge and complex crime, the Chief Executive's summary report, conclusion that false information was submitted with an intent to support requests for public funding. We therefore find it highly disconcerting how senior councillors who hold a fiscal duty to protect public funds are using the lack of charges to dismiss, what on the balance of probability serious crimes are likely to have been committed, but the Police are unable to fully investigate it. Only with the removal of the entire FACT Board and management will the truth of how this organisation is being run truly have a chance of being revealed.

### ***Annual Returns and Published Accounts***

#### **Carole Mansell**

Our main concern is the unfair competition on school contracts which has clearly been demonstrated by the financial advantages given to FACT by way of considerable grants over many years. We would like assurance that all future vehicles supplied by FACT for tendered school contracts will not be grant subsidised, and that the existing vehicles, which have been purchased with public money, will not be used on such contracts in the future.

Furthermore, some contracts have not been retendered in a timely manner, as happened with some HACT contracts. Although we accept the need for emergency cover and that Councils *"can award a short-term contract without going to tender, they must then go out to tender as soon as possible"*. Can we have assurances that this will not be repeated as under adopted EU legislation public procurement should be non-discriminatory, open and competitive and all suppliers should be treated equally. As operators we need to be convinced that this is the case.

Additionally, FACT have been in receipt of the Bus Service Operator's Grant basically allowing them to claim 50% of fuel costs and more. This grant applies to registered bus services only and not school contracts, and other operators cannot claim this, so again this is unfair. Although PKF carried out a 'walkthrough of the vehicle stats' we would like assurance that school contract and group hire mileages were segregated as ineligible. Due to the many omissions in evidence supplied from FACT, and their banking and accountancy practices, we would like the Council to ensure that no fuel duty rebate is or has ever been claimed for their contracted school services, excluding eligible SEN contracts. Furthermore, we do not accept FACT's claim that all the school-based claims were eligible due to geographical remoteness, as this would clearly mean all Fenland transport operators were eligible, which is not the case. We trust, in the interest of fair competition, that the Council will follow this up and we will be contacting our local Operator's Association, the Traffic Commissioner and the DfT.

**Mark Holland**

Are the Committee going to actually say that that the FH&E Board should all resign? Basically, since 2012 we repeatedly attempted to alert the FACT committee to the issues confirmed today, the examples demonstrated on how we can confirm the evidence of possible fraud, forgery, and false accounting, were ignored.

Attempts to notify the Board, officers were also met with dismissal, denial, along with the local paper and local Facebook, legal threats. The letter attached (to the document circulated at the meeting) shows the FACT Chairman demanding we publically lied and declared we raised our concerns in “error”, or face legal actions.

They continuously supported their manager’s behaviour allowing her to publically attack us as “vexatious taxi drivers” operating an unwarranted vendetta, for simply trying to defend our families’ livelihoods and business, unlawfully, as now confirmed.

This board has allowed a once genuine charitable concern to be turned into an unfeeling commercial animal. The PKF report appears to confirm how FH&E has used its vulnerable members to hold officers to ransom, to issue contracts unlawfully, like some commercial ambition all these are hidden behind the crocodile smile. And yet rather than be held accountable, the same individuals are governing the investigation. So what went wrong? It’s like asking a sex offender to babysit.

We know regulations on public purse that has been used for their financial own commercial ambition, while the Board who has for years has attempted to ignore, discriminate and intimidate anyone who objects now get to choose a subcommittee, possibly consisting of the same individuals, who will investigate themselves, to then recommend to the council what actions should be taken. This is the equivalent of our judicial system allowing the offenders and their mates to set up a committee to investigate what when wrong and then recommend to the court what action should be taken. The public are then asked by the Council to accept how it is to proceed with assurance and confidence.

Quite frankly the Council should be embarrassed by such a proposal; this makes a complete mockery of democracy. This Board has no excuse and cannot claim ignorance. Will the Committee to support the call for the immediate resignation of the entire FH&E board?

**Donna Allsopp**

In early 2014 Mr Hughes investigated a 13 page dossier where it appears he ignored evidence and dismissed the same offences confirmed today, and I quote *“we have found no cause for concern over improper practice”*. The dossier can be supplied. The Chief Executive called in the Police over the duplicate questionnaires, however these same duplicates were presented to Mr Hughes by Council officers months earlier. This was around the same time Mr Hughes personally received the Woodcote Report, his covering letter made the signed declaration *“A relentless use of falsifications to obtain funding over several years. This consistent approach to submitting grant applications is suggestive of intent rather than being due to administrative error”*. Yet it appears Mr Hughes chose to do nothing. And despite DfT guidance on Permit 19 holders clearly stating *“you must hold a CPC”* this is the same officer who repeatedly ignored the

## **Transcript of public questions – Audit & Accounts Committee, 31/07/2018**

request for him to acknowledge this guidance, to then on 18<sup>th</sup> August 2016, report to all Members, and again I quote *“the guidance on this matter from the DfT is far from clear”*.

Numerous other evidence examples from Mr Hughes can be supplied relating to this case relating to false, misleading and biased statements, which has given advantage to FACT’s position. Would the Committee not agree that such evidence makes his future involvement in this matter inappropriate, and even warrants investigation?”

### **Dave Humphrey**

Again we request the removal of the FACT board of management, only this will reveal the truth. Within that question I would quickly like to make the Committee aware that within the Traffic Act you are still issuing Permit 19s, and as the issuer of Permit 19s, you can put on them any conditions you see appropriate. So you do I believe have a certain remit to dictate what happens within that organisation.

We would just like to make the committee aware of a couple of examples relating to this section. Concerning the changing of figures (Section 5) PKF report the FH&E manager claims such adjustments “were made to correct posting errors”

We were advised by an accountant to look for any knock on effects these changes may have, and with the FH&E manager changing the 2012 Dial-A-Ride figures this simply pushes the issue back to 2011

Based the number of paying passengers in 2012 only increase by 21% and yet income increase by 63%? June 2012 FACT had a fare increase of £1 on some journeys, which can be demonstrated by their invoices, but this only accounts for an increase of £7,600, taking this into account still leaves a financial increase of 53% with only a 21% increase in paying customers. Further concerns are generated when looking at comparisons between the figures of 2010 and 2011.

Furthermore, page 58 relates the unexplained 236% increase of DAC fares, then, when we raised concerns, the FACT manager reduced this figure the following year. This massive increase in DAC services has never been verified.

We feel this is a serious matter, the bus pass concession system is only allowed for Dial-A-Ride services, however, we feel this section supports the claim that FACT were allowing DAC passengers to use their bus passes.

Despite FACT claiming all these changes were to address errors, we believe the evidence supports original figure was correct and was changed to address how FACT claimed more bus pass concession payments than the Dial-A-Ride income could accommodate. Please See section 8.28.

We even have a recorded interview of a son of a member of FACT, confirming his mother is now paying for fares she once received free. This recording can be produced on request.

### **Kit Owen**

Chairman, thank you, this is by necessity quite brief, because of the subject. F&GP can confirm that its external auditors did not follow the new Statement of Recommended Practice (SORP) in 2015 accounts. Subsequently the new SORPs have been applied

going forward since 2015. Perhaps it is worth noting that this had no effect on any of the filed figures, they remain the same in total.

## ***Funding***

### **Jo Philpott**

Chairman, our income comes from various revenue streams in order to deliver the DAR, as is acknowledged in the report by PKF, the Grant is not sufficient to deliver this service. It might be worth noting that this is also stated in the Grant SLA. Any surpluses generated from contract work is reinvested into the provision of our valued Dial-A-Ride service. The award of the PSV Operators Licence from Traffic Commissioner required the sub division of commercial and non commercial activities. The F&GP has agreed to maintain separate bank accounts for commercial and non commercial transport activities. We bid for tendered work – our prices not cheap, overhead need to be supported. As an example, in 2017, FACT tendered for 89 contracts and only won 14. Does this not prove that we do not have an unfair competitive advantage? We understand that our approach is considered as a threat to others. If a vehicle has been funded for DAR, it is used for DAR. We deliver other work to support the funding of vehicles, so we can provide the best Dial-A-Ride in Cambridgeshire. Let's not forget, we were asked to take over the Nene and Ouse Community Transport, because of the serious financial position it found itself in. The same is said of Ely & Soham Dial-A-Ride. Dial-A-Ride makes a loss, it needs support, this is recognised across the country, we are not alone here. It is why we have been proactive in our approach – we have to do other work. We are not unique - CT organisations up and down the country use this approach to survive.

### **Carole Mansell**

On page 105 of the report, as no Grant Funding Agreements in respect of CTF Capital Grants were put into place between Cambridgeshire County Council and HACT, no conditions as to State Aid have been set, however, as the grant given to HACT was from the same source as the grants given to FACT, and, that they are similar organisations, one would expect that the Grant funding given to HACT would also amount to State Aid and that this aid was being provided under the Commission Regulation on a de minimis threshold

On page 107 of the report, it concludes *“The grant funding for HACT and FACT exceeds the State Aid de minimis limits and are subject to clawback (for amounts above those limits), based on Mr Goudie’s latest advice.”* The State Aid received is vastly over these limits and should be clawed back. Why is there not an automatic procedure in place to ensure that public monies, wrongly claimed, are able to be clawed back? I trust the Council will not be ‘sweeping this under the table’ and the advice they seek will be swift and some immediate action thereafter will be taken. FACT spokesman, Cllr Owen, in a local newspaper report was reported as seeming to sweep it under the table as everything he termed as ‘historic’, and it is not good enough that from now on they will be regulated in their claims – the money needs to be repaid even, sadly, if it results in the demise of a this CTO. I’m sure with all the generous grants there will be other operators just waiting to take advantage.



**Mel Barnes**

Before I ask my question to PKF, I would like to quickly raise a point that we feel needs to be pointed out.

The headline in the Fenland Citizen May 29<sup>th</sup> 2013 was “Budget cuts hit FACT service” – quoting the article “pensioners have been left angry and upset after a community transport group announced it is to end its Saturday service, FACT made the shock announcement last week without warning to customer, who were upset by the decision, which FACT Manager Jo Philpott blamed on “a cut in budget” the cut amounted to £12,000, yet in the year before they added 12 vehicles to their commercial fleet, and since cutting the popular Saturday service in 2013, they have spent another £700,000 on their commercial vehicle expansion. To refer once again to the paper, quoting a wheelchair bound user “The Saturday bus is always full, but I often travel in the week when I am the only passenger. Surely it would make more sense to cut one of those, rather than to cut the popular Saturday service. To be honest I was in tears when I heard the news”. In the paper the FH&E Manager claimed “There is a lot of hidden costs in running the Saturday service”. Some of the people here have been in this industry 50 years. What hidden cost is she talking about? Would the Committee not agree demonstrates ruthless and unfeeling culture this organisation is being run under, funding being denied those it is supposed to be aid, and instead spent instead on its commercial expansion, how is this not fraud?

Could I ask PKF has there been cross subsidisation of public and private funds to support FACT’s commercial undertaking?

**Jenny Parker**

The Council has recently offered the annual Dial-A-Ride grants out for tender, PKF also confirmed they also declare that FHE Community Transport Services operate at a loss and the difference supported through profits generated through Council contracts.

Using HACT as an example, the Council financed the start-up fleet and supplied a profitable contract for each bus. Those profits, along with the apparent misuse of further funding have allowed HACT to expand its fleet to an average of 17 vehicles to generate further profits. The council then issues a Permit 19 for each bus; these permits are not only designed exclusively for “non-commercial” undertakings, but also demand no profits to be made. Therefore the council has assisted HACT to avoid the expensive licensing the Council demands from us!

Therefore, may we ask the Committee, if the Council expect private operators to bid for the Dial-A-Ride grants on a level playing field will they be supplying a fleet of buses to potential bidders, such as myself, along with uncontested profitable contracts needed to subsidize the CTS in line with what has been afforded to HACT and FACT?

**Dave Patrick**

The FACT 2008 accounts confirm at the time they had 18 vehicles, the PKF report confirms they only require eight vehicles to fulfil the Dial a Ride service and by the end of 2016 this fleet had been expanded to 46. On pages 120 and 121 there are tables identifying this commercial fleet has cost in excess of £1M, and secondly, funded

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through grants given to assist FACT in fulfilling their original remit “to relieve poverty, sickness and disability”.

Do the students of Wisbech Grammar school fall into this category for huge sums of public and private money to be spent on financing their transport? Or from the beginning of this campaign, when our money was being to purchase a luxury bus to subsidise “corporate event”, again in clear breach of Permit 19 regulations. In addition, and pointed out elsewhere, the EU Commission declares:

*“Their revenues (including grants and contract income) **can be legally used only to cover their costs**. If CTOs breached the “not-for-profit” requirement, the driving permits under which they operate would be invalidated”*

PKF reports an undertaking “*which makes, or seeks to make, a profit would not normally qualify, **regardless of how it uses any profits or income surplus***”

This also implies the misused funds have been obtained unlawfully to begin with.

For the council to allow this fleet to assist in their contractual responsibility, whilst conveniently looking the other way to these offenses, is for the Council to have the same unlawful and highly immoral blood on its hands as those who committed the offence.

Will the Committee confirm they will now be recovering all misused public funding both above and below state aid thresholds, to then be used for more essential purposes, rather than fulfil someone’s commercial ambitions. How many pot holes would £500,000 fill for example?

### **Dave Humphrey**

Would the Committee agree all previous funders should be contacted in an open and transparent fashion, and supplied the full report, allowing them to make an informed decision whether their money has been used appropriately?

PKF has offered a couple of examples to show false information had been used relating to membership numbers. These have misled councils as to the number of its residence that would have befitted from the funding.

In addition all the funding applications we received via FOI request was requesting funding for community based services, not to expand a commercial fleet.

Also, many had many issues, for example in relation to the FDC £17,000 grant made in 2012 we would also like to highlight a few points from PKF, the Woodcote report and FOI 2619

- only 8 buses are required to serve FACT’s Dial A ride obligations
- At the time of application they already had 22 vehicles
- the FACT manager attempted to apply for the full £35,000 they were attempting to raise instead of the agreed £17,000
- instead of the agreed one bus to support the central route, they decided to buy two
- Entered a false instrument to support the application
- Entered a document the Cambridgeshire County Council transport manager stated he felt his signature had possibly been cut and pasted

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- Claimed to have made 70,000 Dial-A-Ride passenger journeys. PKF confirm less than 20,000 made
- Claimed over 5,000 were disabled (FOI request 2744 demonstrates half this amount)
- Received £10,000 the previous year for another central route bus.
- In the same year FACT expanded their fleet by 12 bringing it to 33, 22 above their community transport needs
- The PKF report identifies the commercial fleet was funded through grant funding.

If the above, and much more, was known at the point of application would this grant have been approved? It's clear much of this application is generic and used to obtain money from the private sector.

These bodies' charitable funds, both private and public, are not inexhaustible. Therefore, if as it appears FH&E have procured funds through applications filled with misrepresentations to then be misused, genuinely needy applicants will have been turned down for FACT to expand its commercial fleet.

### **Donna Allsopp**

As reported by PKF, the Council has sought to obtain advice relating to breaches of State Aid law from two separate barristers. The opinion of counsel in both instances confirms State Aid rules had been breached.

We are concerned to read how the Councils action plan is to seek further counsel from the DfT over this matter.

- firstly, the council could be seen to repeatedly seek alternative advice until they receive the opinion they would prefer;
- secondly, the Committee need to be aware the DfT is currently under an infraction notice for their refusal to enforce the laws relating to these CTOs, possibly strengthening the above argument.
- thirdly, the Council appears to have rejected the idea of seeking what we would regard as the impartial advice of the EU Commission, again this could be seen as the council attempting to avoid an unwanted outcome.

Therefore, rather than take the advice of a governmental department (DfT) are under an infraction notice for refusing to apply the law, we request that Committee recommend for the council to seek the impartial guidance of the EU Commission?

### ***Expansion and Demand and Formation and Expansion of HACT***

#### **John Elworthy**

Does the Audit Committee feel it right or just that PKF's findings point out that FACT has a substantial and lucrative contract for fleet hire to the fee paying Wisbech Grammar School, that requires the use of five mini buses for morning work and four for afternoon work, to take pupils to and from the school (its' not because less go home, but apparently some picked up by parents for after school activities)? Would the Audit Committee agree that the only way these buses could have been funded would have been through public sector grants and from the long list of charitable donations that have only been touched upon by PKF, but are available to those who scrutinise these

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things – therefore both avenues of funding they must surely find abhorrent under these circumstances? Can the audit committee make a specific recommendation for a course of action to bring this anomalous use of public funding to an immediate and proper conclusion.

And ever being a ‘helpful hack’, would the Audit Committee consider recommending to full Council rather than playing around any longer with the issues and given in mind that they are unable to intervene in the management of FACT for the reasons Chief Executive has stated, would they consider actually taking the more appropriate measure of suspending contracts with FH&E, very good reasons why this should happen, and therefore in the interim appointing an external Legal and Local Government expert to bring this about, there is a very good reason why external sources are necessary, because internal change would require those deeply involved and mentioned in the PKF report to be part of a reform programme and it is evident from the inquiries I’ve made and written about over six years, that the largely discredited board of FACT are simply unable to do it? Would the Committee agree that the errors and failures to act over six years are chiefly the responsibility of FACT Board Members, who could be named individually, but I will refrain from doing so. Many of those now involved in this organisation have not only ridiculed any suggestion over those six years of wrongdoing, but actively pursued twice through legal channels those of us who have raised these issues and have been proved to be correct all along.

### **Dave Humphrey**

Can PKF confirm what the total amount of state aid each organisation had received in the relevant three fiscal years leading up to and following the applications?

When applying to the DfT minibus fund, in both applications for FACT and HACT the FACT manager made the declaration her organisations had not received over £160,000 over any three fiscal years either side of the time they received the vehicle.

When asked to give details of “all aid of any description” for FACT the FH&E appears to have only declared the Cambridgeshire County Council’s annual Dial-A-Ride grant, which, for the relevant three years this appears to total £117,354, consequently well below the conditions of the grant funding.

For the HACT application the FH&E made only two entries for the years 2013/14 and 2014/15, both of these entries consisted of the equal sum of £62,095. This gave a total of £124,190 which again kept the State Aid funding below the condition of funding.

Can PKF confirm what the total amount of state aid each organisation had received in the relevant three fiscal years leading up to and following the applications?

### **Jan Robinson**

As has been repeatedly demonstrated, these organisations commercial fleets have been funded through cross-subsidisation of public and private funding given with the intention to transport the elderly and disabled.

FH&E have now set up three commercial companies

- Ely & Soham Act Trading ACT Trading Limited
- Fenland ACT Trading Limited

- Huntingdonshire ACT Trading Limited

By what process are these assets to now be transferred to these commercial limited companies and used exclusively for profitable commercial contracts?

**Donna Allsopp**

When taking into account the council funding vehicles, any cross-subsidisation of grants, the failure to properly tender contracts and/or Dial a ride services or breaches of State Aid funding, would PKF give a view as to whether the effects would have been large enough to give an unfair advantage to FH&E over unsubsidised local firms, and whether that advantage may have possibly been significant, especially when considering small firms?

**Kit Owen**

As mentioned earlier by Jo, let's not forget we were asked to take over the original Nene and Ouse Community Transport because of the serious financial position it found itself in. The same can be said of Ely & Soham DAR. We continually face demand related challenges on revenue and service provision. We tend to transport the members of our community who are in need. We operate in a rural community – no one day is ever the same as the next. Our charitable objectives provide a wide range of transport services which in turn provide social cohesion and value through our community facing role. Many CTOs just offer the core essential service, namely the DAR, we offer much more, and I would like to point out that many, many references have been made to Wisbech Grammar School, Wisbech Grammar School is no different to Neale Wade, and many other schools, none of which have been mentioned, not quite sure what one should read in to that?

Our growth has been steady and supported the losses from Dial-A-Ride. Again, without this business approach, we would have failed like the others have. Our growth of vehicles has been generated from other work. We use the full cost recovery method when bidding for contracts. Perhaps the Committee realises some of the work we do cannot or does not want to be done by other operators, this often requires the training on specialist equipment as well as the care and assistance to deal with specific needs. Staff take on a great responsibility that drives our staff. It is philanthropy that drives our staff, not money driven care. We are faced with operational challenges. Each Dial-A-Ride journey planned to meet the needs of the passenger. For example, on average four seats have to be removed from the vehicle to accommodate one wheelchair or scooter, or often the enormous shopping bags, which they also use as aids. In order to manage the costs to manage the cost of such Dial-A-Ride provision, it must be intermingled with commitment to contractual services. This approach allows for maximum optimisation of both vehicle and driver, while considering environmental impact. Our commercial aim is to feed 100% back to the charities.

Fleet expansion has not been funded by the Dial-A-Ride grant. We are a well-run organisation investing in people and vehicles with the Board support. Grant money did not enable the organisation to put in unfair competitive rates to win contracts. With regard to HACT, the start-up was delivered as per expectations, but we were asked to do this. If we had not taken on HACT, the people in Huntingdonshire would not have had a door to door, safe, affordable and accessible transport service.

***Licensing and Permits 19/22 and Service Level Agreements***

**Steve Shannon (FH&E)**

As evidenced in the report, FH&E processes and procedures to support driver eligibility and associated training are effective and will continue to be operated in line with relevant legal requirements. We have implemented without hesitation all statutory changes required by the DfT and any subsequent contractual conditions required by Cambridgeshire County Council. All drivers and passenger assistants are trained and reassessed with CTA's MIDAS (Minibus Drivers Awareness Scheme), we have four certified MIDAS trainers, these trainers undergo regular reassessment in order to retain their certification. Until March 29<sup>th</sup> this year, when we were awarded the PSV operators licences, we operated as a not for profit organisation, we used Section 19 and Section 22 permits and were therefore exempt from the need of a PSV Operators licence when providing transport for a charge. All drivers that operated our 9-16 seat vehicles either had a full D licence, which is a bus/coach licence, or a D1 licence which is a minibus licence, with or without restriction. In respect to the DfT not for profit passenger transport guide, in the past, the Department and the DVSA took the view that all holders of Section 19 or 22 Permits were exempt from the regulations, because they would either be engaged in road passenger transport services exclusively for non-commercial purpose or have had a main occupation other than that. For this purpose it was believed that the term 'non-commercial' equated to not for profit. Just for completeness, any statutory outcome from the recent DfT public consultation into the future usage of Section 19 and 22 Permits will be impact assessed by FH&E, and where necessary changes were made.

The next point relates to the grant and Service Level contracts, I'd just like to make a statement on that. The report confirms the analysis of both grant and contract SLA have been adhered to. However we acknowledge the need for separate bank accounts and a disaster recovery plan, which are now up and running. The F&GP will as part of an ongoing audit requirement make available a clear audit trail for cross subsidisation. We can confirm that any approved local authority funder will be granted access to this review and verify this information.

**Dave Humphrey**

Rather than approach the DfT, will the Committee agree to seek the impartial advice of the EU commission, refuse to accept any further tenders, and if proven, recover ALL historical public funding which has been issued in breach of Permit 19 regulations?

Please understand, this is not about "state aid", this is not about whether FH&E if they can operate under permit 19/22. This issue is regarding how, operating under whilst operating under these permits, they have done so in clear breach of the principle condition of those permits i.e.

*"A vehicle being used under a permit must not be used with a view to profit nor incidentally to an activity which is itself carried on for profit"*

In a previous case the EU Commission rules 'Their revenues (including grants and contract income) can be legally used only to cover their costs. If a CTO breached the

"not-for-profit" requirement, the driver permits under which they operate would be invalidated."

PKF reports an undertaking "*which makes, or seeks to make, a profit would not normally qualify, regardless of how it uses any profits or income surplus*" They also confirm FACT only need eleven vehicles to operate this community based work and HACT only need 5. You will also have seen that from 2011 to 2016 FACT expanded its fleet from 21 vehicles to 46, and HACT underwent a similar expansion.

This clearly confirms the commercial nature of the FH&E fleet expansion is commercial and on pages 120 & 121 has been funded by grants (also classed as revenues by the EU Commission); This expansion is worth over £1.4 million. How can the generation of over £1.4M in surplus income to fund a huge commercial fleet, now passed over to a new limited company, be regarded as "legally covering the costs" of a small community transport organisation? Unless FH&E are to claim they accidentally generated £1.4M in excess revenue, we have to regard this as a deliberate, and therefore criminal act of avoiding higher (*audio indistinct*) licences. We also believe that not only are FH&E fully aware of this, but they have deliberately attempted to hide this in the current national confusion over these licenses.

### **Mel Horne**

With 70 drivers built up over 50 years, our fleet is worth less than £400,000. Can someone please explain to me how this not for profit organisation has managed to spend a million pounds on a commercial fleet expansion over four years, on a cost recovery basis. This is 2+2=4 stuff.

I would like to quote the DfT guidance for Permit 19 users "a vehicle being used under a Permit must not be used with a view to profit nor incidentally to an activity that itself is carried out for profit".

FH&E claim they operate on a cost recovery system, we have been running our business for fifty years. We know these contracts. We know where FACT operate from. Some of these contracts are hugely profitable.

### **Dave Patrick**

Can the committee answer how is the public supposed to hold confidence for the FACT board into the future whilst one of its board members, sat as vice chairman of the licensing committee on the 25<sup>th</sup> June to refuse a private hire licence, to a potential competitor, for not being "fit and proper" whilst his organisation operates in clear breach of the licensing regulations he enforces on his competition? Why does he still allow unlicensed vehicles within Fenland to continue to serve commercial contracts?

In section one of the Council's action plan it suggests the FH&E Board should set up a sub-committee (F&GP). The public are then asked by the Council to accept how "The F&GP will provide assurance and confidence" into the future.

However, we believe with the people running and governing this organisation has, and will continue to operate under a culture of dishonesty and unlawfulness.

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Below (*in document circulated at meeting*) you will find a picture of an unmarked FACT bus in Sainsbury's car park in March. As can be seen in the window are signs stating how you can use your bus pass on these vehicles, and another with one of FACT's contract numbers referring to a contract being undertaken for the Cambridgeshire County Council to the Neal Wade School in March.

Permit 19s can only be used for "exclusively non-commercial" undertaking, this is why FH&E had to obtain commercial O-licenses on all buses with more than eight seats and used to fulfil the Council contracts. However, this eight seater bus is still operating on a Permit 19. Please understand due to this bus having only eight seats does not change the permit conditions, it can still only be used for "exclusively non-commercial" purposes, but it's still being used to run contracts. This vehicle should be licensed as a Hackney Carriage or private hire vehicle, as should its driver.

And below (*as above*) is one of their small HACT cars which we can say is undertaking commercial contracts, how do we know this? Because, this is the mother-in-law of a taxi driver and all she does is a commercial contract. Under the Cambridgeshire County Council action plan it will simply be business as usual. I doubt if all the offences committed by taxi industry over the last ten years would add up to those committed by these organisations.

### ***Conflicts of Interest and Complaint Handling and FOI Requests***

#### **Steve Shannon (FACT)**

Mr Chairman, yesterday evening I emailed Duncan to say we have nothing to say on this issue.

#### **Dave Humphrey**

Will the Committee agree the conduct of all government officials sitting on the Board should be independently investigated?

There's been cross subsidisation of grants, a breach of state law of £300,000, unpaid public loans, contracts handed over without being put out to tender, and let's not forget an entire fleet purchased by the Council. To quote PKF, they have already confirmed that cross-subsidisations did take place. And yet, last week's press release from FH&E declares "Grant money did not enable the organization to put in unfair competitive rates to win contracts." And this, the Action Plan suggests should fill the public with "assurance and confidence" into the future. The FH&E press statement categorically proves to us it will be run under the same level of dishonest denial. And unbelievably, its author sits on the overview and scrutiny. Doesn't public officials' code require them to operate with honesty, objectivity and without bias?

It was this same level of disingenuous denial that brought us here today, has allowed the abuse of public funds to reach such eye watering levels, and cost the public hundreds of thousands more in investigations and officers time. Cllr Owen continues with "*The majority of the issues are historic which we have dealt with*" so were those against Jimmy Savile, this does not exonerate the committee of guilt. They weren't historic in 2013 when Cllr Owen suggested publically that we were inventing them, or



throughout the years he and his colleges have been ignoring, insulting and threatening us. And these “issues” as he calls them, have only been dealt with as a consequence of six years campaigning for justice! he offense of “Misconduct in Public Office” is categorised as *“the office holder acts (or fails to act) ... to such a degree as to amount to an abuse of the public's trust”*. Maybe, as Mr Owen declares *“Nothing has been done for personal gain”*, however this does not exonerate him or his colleagues of their fiscal duty to protect public funding from abuse. Or indeed, for allowing their managements offenses to escalate to the level were hundreds of thousands of pound have been misappropriated through their failure to act to the evidence repeatedly rubbed in their faces. At best Councillors on this board have acted in breach of the Council’s code of conduct, at worst, they have acted with a wilful negligence and therefore complicit to all offenses confirmed in the PKF report and those undoubtedly still hidden.

### ***Thomson Local Advertising***

#### **Dave Patrick**

Not really a question it’s an observation. We looked through and we also contacted Google and the fact of it is at the end of the day, when Google were asked about the advertising using the words “taxi/March”, “mini-cab/March”, “private hire/March”, “taxi/March, Cambs” the Google advisor advised that advertiser would need to incorporate those key words and related key words in his/her list within ad words. So obviously with Google, what they were basically saying was that they would have had to advertise. Not only were they advertising, which was quite blatantly clear, that to me was the biggest insult, with that minibus with the words “FACT - luxury travel” all over it. And I was on the horse round on one occasion when it drove mostly round so we could all see what was on it. Blatantly put in our faces.

#### **Steve Shannon (FACT)**

We have provided a Google technical explanation as to the reason why taxi related expressions appeared without our knowledge. This was verified in the report as a “reasonable possibility”. And just for the record we have never advertised with the Thomson Local.

#### **Dave Patrick**

Please find attached emails from Fenland District Council dated 24/02/2014, Dan Horne, Head of Housing and Community Estates, over the last 12 months there have been numerous discussion with FACT over advertising on websites.

This confirms we have not only been campaigning for this unethical advertising to be removed for a year, but also numerous discussions have taken place with FACT, if, as was claimed by the FH&E manager that an external developer had been used. When the initial allegation was made, a simple phone call asking to remove the offending tags would have solved the problem, along with a (*audio indistinct*) to accommodate this work. We feel this was a direct abuse of a privileged position to attack our livelihood.

***Final questions***

**Steven Shannon (FH&E)**

The Committee has heard responses to the PKF report, a number of actions have already been completed. Where mistakes were made, we have acknowledged that, processes put in place to ensure they will not happen again. A number of issues raised today from the floor have not in fact been correct. F&GP will be writing to the Chairman and the CEO (Gillian Beasley and Cllr Shellens) to put the record straight. The creation of an F&GP will take an overarching scrutiny role in overseeing the management. Nothing was done for personal gain, the three members of staff on the board were brought on to ensure real hands-on experience is brought to the Board. All HR implications will be dealt with by an independent HR specialist.

The business model used is the same as other Community Transport organisations around the country. We are pleased to note and welcome that Cambridgeshire County Council will be taking a very much more active role in monitoring the way we do business, which in turn will give our funders confidence and remove the suspicion that has been generated. We hope that the overarching reason for the existence of CT has been made clear, not that anyone needed reminding of that today.

The Trustees have the community at their heart, and are determined to provide an extremely necessary service, and to expand that service where appropriate, as is evidenced with our latest Social Club addition. A number of our Members are concerned that they will lose this service. We have tried to put their minds at rest. Hopefully the report and the deliberations will also alleviate their fears.

**John Elworthy**

What does the Audit Committee feel should be done to create a more level playing field for Fenland and EC and Hunts taxi and coach firms who have suffered as a consequence of FACT's funding arrangements for the last six years, actually it's more. Would the members of the Audit Committee agree with me that it's completely wrong that FACT should be allowed to operate without proper sanction, and would the Audit Committee agree with me that a formula must be found to compensate taxi firms and coach firms for the unfair, illegal cross-subsidisation, that has created this wilful anomaly?

Would the Audit Committee also recommend actions that will ensure the current Board of FH&E is removed, and that talks are held with Fenland Council and Cambridgeshire County Council to replace any existing Councillor who serves on the Board, and replace with a fresh set of Councillors? It is unclear from the published accounts of FACT who is Chairman, but the acting Chairman appears to be a Councillor from Fenland, and does therefore the Audit Committee feel it proper that he should stand down now pending a decision by Fenland Council, to look at their own representation on the board. As FACT is likely to be subject to HMRC investigation – the PKF report alludes substantially to charity thresholds being breached - and these will have major ramifications for the management of FACT as they grapple with them - will the Audit Committee agree that now is the time to end its association with this organisation, and

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begin talks to end all commercial work with this organisation and put all existing contracts out to emergency tender, a formula the Council is familiar with?

Does the Audit Committee have a response to MP Steve Barclay who said that he shares the taxi drivers' (this is a quote) concerns, and also points out that Cambridgeshire County Council ignored the taxi drivers' concerns? Mr Barclay says "I raised them myself having met the taxi drivers and was given clear assurances by Cambridgeshire County Council which were clearly false". That was from last week from Mr Barclay. Will the Committee agree that this is a serious and vitally important response that requires another investigation? Does the Audit Committee further agree with the Leader of the County Council that every single issue raised regarding the County is being addressed, nothing ignored, nothing dumped, as was made apparent a few moments ago, there are some outstanding issues not considered by PKF and they weren't invited to necessarily look at those? This was a Tweet actually made by Cllr Count on Thursday, but does the Audit Committee believe it has the capacity to address every single issue in one meeting. Do Members of the Committee feel more expert legal advice might be required in to what I feel sure is in your hearts and in your heads, that is at least suspend this work with FACT, whose leadership and management has shown blatant disregard of financial accounting principles, of honesty, integrity and transparent detail, dealings with Members, Council officials and the public. It is as Cllr Boden rightly points out very accident and error prone.

One final comment and that is the Business Plan that would have been enacted by this County Council over the discretionary concession of a 50% reduction in the cost of journeys made on Dial-A-Ride scheme for bus pass holders, without going into the long detail of this, Michael Soper your own Research Manager here at the County Council proved it to be a fraudulent response and enacted by members of the FACT organisation in the way that they dealt with the survey responses. Also finally would the Member for the County Council who serves on either ESACT or HACT have a look at the Charity Commission rules and regulations, that as far as I am aware, and I've taken advice too on this, and the Committee may want to take advice, that no paid employee of that organisation may serve on the Executive Board, and I understand that Mr Shannon who variously describes himself as both a driver at FACT and also the Transport Manager, is shown in documents I saw yesterday as a Trustee of those two charities.

### **Mike Mason**

I am Mike Mason, a member of the public, resident of Cottenham, and a former Member. The first item I wish to raise is the PKF report itself, and not that the question about the report, it's not about its content or anything, it is about the allocation of costs and costings to this Council. So the question actually seeks clarification of how the cost of this investigation and the PKF report is to be applied to the Council's accounts. When I went to a previous meeting with the Internal Auditor, and I met the PKF gentleman in front here, I did in fact raise with them the question of were they being paid on a regular basis, and they assured me they were. But when looking on Cambridgeshire County Council's transparency code payment data I could find no entry in respect of a supplier named PKF.

Duncan did say to me that the reason for this was that the invoices for PKF were in fact shown on Milton Keynes' website, Milton Keynes of course being a partner in LGSS.

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So really and truthfully I wanted some clarification about this, because that is a screenshot of the Milton Keynes' website. The total of payments made on their website is £46,434. Now there must be an explanation of this and I feel sure this can be given, I do want an assurance that as this report has been commissioned by this Authority, by Gillian Beasley, that all expenditure in connection with this report, must be shown on this Council's accounting systems, and this you will appreciate Chairman, as Chairman of this Committee, this must be your responsibility as well, to ensure that this is to be properly accounted for. Just one final point, I did note earlier that there was a correction, Duncan did say that there was a correction to the total amount paid, I probably misheard him, but I would ask him perhaps to restate that, so we know where we are up to, up to now, and I do want the assurance that this will be corrected and will be charged to Cambridgeshire in future.

### ***Final comments***

#### **Dave Humphrey**

I would like the Committee to take into consideration the statement that wasn't made by Keith in relation to the use of taxi cards. I think it's very relevant that the bus pass concession system is not only biased towards FACT against us, but also our customers. There's a lot of our customers who don't want to get in to a mini bus, they want to use a taxi. And it seems the system at the moment, seems if you're suited to getting on a mini bus, you get a free journey, if you're suited to get in a taxi, you pay for it yourself. I think a more even playing field needs to be put forward.

#### ***(Speaker's name not given)***

In the past and present, FH&E and the trustees are still in denial. As a member of the public, I've listened to what people have said here today, and I've listened to what people have said before this meeting today, and it seems to me that this situation won't change – checks and everything, you can't turn dishonest people in to honest people. And I think I would like to point out that the public won't have any faith that FACT will continue in an honest way, after continuing in a dishonest way, which they still deny, so obviously they don't think they've done anything wrong. I think that the various Councils involved have a relationship with FACT which is totally untenable in my opinion.

#### **John Elworthy**

A couple of things, and I am not an accountant but I did advertise over the weekend via my usual social media channels, to find two, and I found two accountants who have taken the weekend looking at the FACT accounts, looking at the discrepancies, looking at the errors, looking at the poor accounting practices, looking at the cross subsidisation issues, and the rest of it, and these were some of the issues not touched upon by PKF simply because it wasn't in the brief and I'm talking about the lack of audit, the massive question marks over the auditing of FH&E over the last few years, I've circulated some of the findings to some of the Committee which is a bit presumptuous of me but it was one way of getting it to them and I'm going to send them more, because further reports are coming through. All of that aside, one of the things that has always struck me as absolutely obscene about this, as a journalist, as a newspaper editor, as a

campaigner, is how people have I think been wilfully misused, I will use a perfect example – in one of the founders of FACT, Patsy Bruin, who is well known in Fenland, and who died a couple of years ago, well in to her eighties but until almost the point of her death she was shown on the annual accounts of FACT as the treasurer... look at the accounts, this lady was the Treasurer, who signed off all these mismanaged, manipulated, deceitful accounts for years... the truth is she didn't, but she was shown as the treasurer. Where was the scrutiny from Councillors, the chairman of the governance committee at FDC who sits on the board, the Chairman of the Licensing Committee, the one that laughed in my face at lunchtime because he feels like he's quote got away with it. Sorry, we've been campaigning on this on behalf of the people of Fenland. We have a better representation of what they think than what that man does.

***(Speaker's name not given)***

I would just like to say it was in my opinion never our intention to have FACT closed down. We always said there was a purpose for FACT in serving members of this community, which on most occasions they have failed to do. This lady sitting next to me explaining what had happened with her mother when they said that despite living in Fenland, she lived too far away. If this Council allows FACT to continue to operate its commercial fleet, with those vehicles purchased through cross funding, through illegal profiteering, then in my opinion at the end of the day, we will have achieved nothing. They only need eleven vehicles to satisfy those needs. Any other vehicles in use, for the use of profit, should be taken away from them and given to other sources that need them to provide stuff for the community.

***(Speaker's name not given)***

First of all I'd like to thank Dave Humphrey for everyone here, for everything he's done. I'd just want to question CCC - how many buses has Cambridge city got, i.e., DAR buses, how many Dial-A-Ride buses has Cambridge city got? I think it's eleven, eleven for a big city. 48 buses for March. Tell me the reason for that, if it isn't for commercial gain and profit? There is no other reason. As a taxi driver in March, when they started up my earnings went down to £200 a week I'm losing because they're working illegally in March. We've also got in March now a road closure, a bypass, and that's another £100 a week. How can we survive when you're letting them run away like a juggernaut? It just won't happen anymore, it's got to stop, you've got to do something about it.

***(Speaker's name not given)***

I totally agree with the last speaker, FACT have publically funded vehicles with a local contract life of up to 15 years. We don't. We have capital repayment costs to consider as it's the lowest prices that are tendered and are taken for the school bus contracts, they have to reflect the lowest operating costs. So obviously they're going to have the lowest operating costs. We cannot possibly compete with that. It's not a level playing field. I feel that FACT should be withdraw from any future commercial school bus contracts, and stick to the CTO operation.

**Mike Mason**

Chairman, the public will perceive this meeting as certainly being an opening up of all of the facts surrounding this. And I want to thank you and the Committee and the Council for putting this meeting on, and making sure that everything comes out in the open. I will however say this: The public will have little confidence in any remedy which involves existing organisations such as the CTAs putting their own house in order, with existing board members and staff remaining or being redeployed. The recommendation that implementation of any reforms which will be reported back to the Council and Committees in due course without any real defining time limitations is in my view wholly appropriate. The Council has a very poor track record of putting its own house in order. The Committee must bear in mind the previous failures of the Strategic management team to properly respond to an LGSS internal report and I refer to the Cambridge Library Enterprise Centre, some Members will remember what we went through, no more than you Chairman, about that situation, that still remains unresolved, a lot of the recommendations were lost, I heard you say at a meeting last year that you didn't know where that action had got to. Well it's been going on now for a long time. The public need to be absolutely confident in what is proposed in terms of the actions, that these actions will be taken, and will in fact happen quickly, not just reported to Committees in due course, because if we're going to have another two years of reporting back on this, we will not have achieved anything.

**Jo Philpott**

We've listened to incorrect facts, this is unfair. We are sorry for old mistakes, errors – we have accepted the errors. This has always been about contracts – that is clear. We care about the DAR, it is why we do it. We have done the other work to fund these losses. We have made that clear. Will the Committee please consider and care about our passengers, just like we do. We welcome fresh blood on the board. And for the record, I have not forged Gavin Moulton's signature on anything.

**Dave**

Can I recommend the Committee to an article written by the Coach and Bus Buyer magazine a couple of weeks ago, when they were interviewing a community transport organisation in Kings Lynn. They stipulated the fact that how they had always operated by the law. This organisation has always separated its community transport section, and had a proper company as a trading arm. Been doing this properly for years. They referred to certain organisations who had bent the rules under licences as being 'rogue' – this hasn't just bent the rules – it is far beyond that, and that is another CTO making that statement. I advise you to read it.

**AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTION LOG FOR 20<sup>th</sup> SEPTEMBER 2018 COMMITTEE MEETING**

<b><u>NO</u></b>	<b><u>TITLE OF REPORT / MINUTE AND ACTION REQUESTED</u></b>	<b><u>LEAD</u></b>	<b><u>PROGRESS / RESPONSE</u></b>
<b>ACTIONS ARISING FROM THE MINUTES OF THE JULY 2016 COMMITTEE MEETING</b>			
<b>1.</b>	<b>MINUTE 226. MINUTES</b>		
	<p><b>Minute 213 'Systems in place to ensure that Section 106 Funds do not go unspent'</b></p> <p>The November 2016 Committee meeting agreed that updates either to the Committee or to the Chairman should be provided on a six monthly basis.</p>	<b>Tom Kelly</b>	<p>Next update due in September 2018. (Action: Tom Kelly)</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 29<sup>th</sup> NOVEMBER 2016 COMMITTEE MEETING</b>			
<b>2.</b>	<b>MINUTE 261 – CAMBRIDGESHIRE COUNCIL WORKFORCE STRATEGY UPDATE</b>		
	There was a request that once implemented, there should be a regular quarterly report on the Action Plan progress.	<b>Martin Cox / Lynsey Fulcher</b>	The report submitting the final Strategy for endorsement by General Purposes Committee and for final approval by full Council has been rescheduled a number of times since the report to the November 2016 Committee.

			<p>Officers have now provided the Chairman with a copy of the intended report going to GPC Committee in September. The timetable is for it to go to General Purpose Committee in September and Council in February.</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 23<sup>rd</sup> JANUARY 2018 COMMITTEE MEETING</b>			
<b>3.</b>	<b>61. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR JANUARY 2018</b>		
	<p>a) <b>Audit and Accounts Training Plan – Running through the detail of a non-contentious project</b> - It was originally agreed that the session requested by the Chairman, should be before the March meeting.</p>	<b>M Kelly</b>	<p>This was to have been held before the January Committee meeting. However, due to officer illness on the day of the Committee, this session had to be postponed and a new date arranged.</p> <p>As agreed at the May 2018 meeting that having consulted with the Committee, the Chairman was still keen for Internal Audit to offer this training to the Committee. Internal Audit to liaise with Chairman on finding a suitable date in the autumn.</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE MARCH 2018 COMMITTEE MEETING</b>			
<b>4.</b>	<b>MINUTE 77 - DRAFT INTERNAL AUDIT PLAN 2018-19</b>		
	<p><b>Action: Internal Audit look at lower contract thresholds for reassurance (to ensure greater value for money was being achieved) and also to look at the administrative cost of procurement compliance.</b></p>	<b>D Wilkinson / Mairead Kelly</b>	<p>These would be undertaken as part of the reviews included in the Internal Audit Plan being undertaken.</p> <p>Economy and Environment Committee at their meeting in April when considering the Ely Bypass overspend Capital Report requested that Internal Audit should review this project as part of</p>



			<p>one of the reviews on capital project overspends to establish whether any lessons could be learnt going forward.</p> <p>This report has been delayed due to the resource pressures currently on the Internal Audit team, particularly as a result of additional requested work on ERP Gold currently taking place, which has resulted in resource needing to be diverted to this work. A full explanation of current pressures and how Internal Audit are seeking to manage these is provided in the Internal Audit Progress Progress Report included on the current agenda.</p> <p>The report is currently now rescheduled to come forward to the November Audit and Accounts Committee meeting.</p> <p><b>ACTION ONGOING</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 29TH MAY 2018 COMMITTEE MEETING</b>			
<b>5.</b>	<b>MINUTE 85- CHILDREN'S SOCIAL CARE CASE LOADS QUARTELY UPDATE</b>		
	The Chairman requested that he meet with officers outside of the meeting to discuss age structures.	<b>Sarah-Jane Smedmor</b>	<p>The Chairman confirmed at the July meeting that this was still ongoing.</p> <p>The latest update report is included on the agenda.</p>
<b>6.</b>	<b>MINUTE 86 - REGISTRATION OF LAND PURCHASED FOR HIGHWAY PURPOSES</b>		
	One Member suggested that if land was identified that was no longer required for highways purposes it might be useful	<b>Cllr Whitehead</b>	Councillor Whitehead who had raised the issue took her suggestion to a recent Group Leaders meeting where the Section 151 Officer agreed that this proposal would be taken into account in future.

	depending on their size, to offer them on a first refusal basis to the appropriate district council, It was suggested the Member put the proposal in writing and then the Chairman / Democratic Services could bring it to the attention of Commercial and Investment committee.		<b>ACTION COMPLETED</b>
	Councillor French requested that officers' make available to her when it became available the list of land in Fenland identified as no longer required for highways purposes.	<b>Daniel Ashman</b>	This would be at a later date <b>ACTION ONGOING</b>
<b>7.</b>	<b>MINUTE 88. INTERNAL AUDIT ANNUAL REPORT 2017-18</b>		
	a) The Chairman indicated that he had some minor changes to the presentation text that he would share with the officers outside of the meeting.	<b>Cllr Shellens / Neil Hunter</b>	Changes provided. <b>ACTION COMPLETED</b>
	b) In response to question on when debt performance targets could be expected to improve, the response was within the first three months of the year. <b>The Chairman asked that Internal Audit should follow up on this commitment.</b>	<b>M Kelly</b>	Action ongoing
	c) It was suggested that in future, changes to the AGS from the previous year should be highlighted in the draft document (as most of		Action ongoing

	the AGS remains the same in order to make it easier for Committee to identify the key elements that had changed.	<b>M Kelly</b>	
<b>8.</b>	<b>MINUTE 91 - WHISTLE BLOWING POLICY ANNUAL REPORT</b>		
	a) it was requested that a further report should come back to the September Committee with update details of the number complaints received under the Policy to help Members consider further, the effectiveness of the current publicity measures.		This was not available for the September meeting and had been delayed until at least November due to internal Audi resource pressures. A revised draft whistleblowing policy has been drafted (re: the action below) but this needs to go through HR, Trade Unions and SMT before it can come to Audit & Accounts and finally Constitution and Ethics Internal Audit were targeting a November date for the report, but that would only be possible if it has been through the various stages of review, which would depend on Internal Audit's resource availability given the current work pressures. .
	b) It was agreed that the officers and the Councillor should arrange a further meeting to establish any changes required to the text of 2.4 and seek to resolve any other concerns the Member had with the currently worded policy.	<b>M Kelly / Cllr Whitehead</b>	Internal Audit did meet with Cllr Shellens and Cllr Whitehead was offered a meeting and contacted several times but did not respond. Internal Audit have incorporated some changes to the policy which were identified in a separate review.
<b>ACTIONS ARISING FROM THE MINUTES OF THE 12TH JUNE 2018 COMMITTEE MEETING</b>			
<b>9.</b>	<b>MAIN ACCOUNTS</b>		
	<b>Minute</b>		The response from John Mac Millan the County Council Group Asset Manager was along the following lines:

	<p><b>Page 42 Valuation of Long Term assets</b>  – in further discussion regarding the heritage assets and sculptures etc. in maintained schools, a query was raised that if a school transferred to academy status, who owned any art works displayed at the school. Officers believed that as they were only ever loaned, that the Local Authority would still own them as this was the case with Children’s Centres <b>but it was agreed this would be checked and confirmation provided to Members outside of the meeting.</b></p>	<p><b>Eleanor Tod</b></p>	<p><i>This would depend on the terms of the transfer agreement. At Bassingbourn there is a specific deed which refers to “moveable assets belonging to the Authority’s Education Library and Heritage Dept” not transferring to the Governing Body. The presumption would be that this could cover works of art.</i></p> <p><i>The transfer agreement says that fixtures and fitting will count as assets that would be transferred which I think would cover art. There is also a specific section on assets that would be excluded. I think the Deed would override the transfer.</i></p> <p><i>If we want art to remain with the Council we would have to specify.</i></p> <p><b>ACTION COMPLETED</b></p>
<b>ACTIONS ARISING FROM THE MINUTES OF THE 30TH JULY 2018 COMMITTEE MEETING</b>			
<b>10.</b>	<b>MINUTE 98. PETITIONS</b>		
	<p>A question was raised from Mr Mike Mason requesting clarification of the Council’s share of the costs to date of ERP Gold including software / hardware purchase and service agreements. He requested that the answer should include cost of delays, downtime loss of staff productivity together with delayed benefits / savings.</p>		<p>The Chairman forwarded an officer response to Mr Mason on the issues raised on 8<sup>th</sup> August and is included as appendix 1 to this action log.</p>

11.	<b>MINUTE 102 - SAFER RECRUITMENT IN SCHOOLS UPDATE</b>		
	In terms of progress on the gaps in provision and when a good time would be to receive an update report, the officers indicated that this should be around Easter 2019.	<b>R Sander-son / C Meddle to agree</b>	Easter is April in 2019 and therefore May 2019 should be added as the date for the next substantive update.
12.	<b>MINUTE 103 - TRANSFORMATION FUND MONITORING REPORT QUARTER 2017-18</b>		
	To update the summary table for future reports to better show how each scheme was performing across the length of the scheme and to provide an explanation of the table.	Julia Turner	The officer agreed this would be undertaken and that the whole design of the report would be reviewed to ensure future versions provided greater clarity.
13.	<b>MINUTE 105 - INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31<sup>ST</sup> MAY 2018</b>		
	With reference to Appendix 3 SEND Implementation Grant there was a query regarding why the five Special Educational Needs (SEN) Casework officer posts were only for 12 month fixed contracts when what was required in this area was continuity and asked whether it was a funding issue. <b>Deputy Section 151 Officer undertook to find out and respond.</b>	<b>T Kelly</b>	Action ongoing

<b>14.</b>	<b>MINUTE 106 - INTERNAL AUDIT PROGRESS REPORT</b>		
	<p>a) <b>Removing Items from the Internal Audit Plan to accommodate the additional work detailed in section 5.1c of the report.</b></p> <p>Agreed officers should come back to the next meeting with a proposed list and justification for their removal.</p>	<b>N Hunter / M Kelly</b>	The Internal Audit Progress report on the agenda addresses this.
<b>15.</b>	<b>MINUTE 108 - AUDIT COMPLETION REPORT (ISA 260) DRAFT FOR THE YEAR ENDED 31ST MARCH 2018</b>		
	<p>a) Democratic Services to liaise with BDO on scheduling a date for BDO to report back on the current objection and with the detail on the outcome of the objection on the previous year's Accounts.</p>	<b>RVS / L Clampin</b>	External Audit indicated that they would alert Democratic Services as to the appropriate Committee to which the report should go. At the time of preparing this Minute Action log update External Audit had not completed their investigations and therefore were not able to confirm when the likely date would be.
	<p>b) An additional report to be prepared for the September Committee meeting on the accounts process and how it could be improved going forward.</p>	<b>RVS</b>	The item had been added to the work programme.

<b>16.</b>	<b>MINUTE 109 - STATEMENT OF ACCOUNTS 2017-18</b>		
	<p>a) Page 95 reference to Cromwell Museum stating that the assets were still owned by the Council. <b>It was suggested that officers should check whether the wording should be changed to avoid any ambiguity.</b></p> <p>b) Page 96 Civic Regalia – as it was stated that the financial value of the sundry items was not known, It was suggested that at some stage they needed to be valued for insurance purposes in terms of a replacement value. <b>Action: officers agreed to look into this further.</b></p>	<p><b>M Savage / J Lee</b></p> <p><b>M Savage / J Lee make contact with Bev Speller</b></p>	<p>Oral update to be provided.</p> <p>Oral update to be provided</p>
<b>17.</b>	<b>MINUTE 110 FORWARD AGENDA PLAN</b>	<b>RVS to contact Lou Williams</b>	<p>Lou Williams responded that a more meaningful report would be provided for the November meeting as its implementation had not yet been undertaken.</p> <p>The Agenda Plan has been updated accordingly.</p> <p><b>Action ongoing</b></p>

**To:** Mike Mason

**From:** MARK ASHTON  
LGSS DIRECTOR BUSINESS SERVICES, SYSTEMS AND CHANGE

**Date:** 7 August 2018

**SUBJECT:** ERP Update

## **BACKGROUND**

- 1.1 Following the implementation of ERP Gold, there have been a number of operational issues as a result of bedding in new processes. Considering the scale of the implementation across three large local authorities, the launch went well but the team continues to focus robustly on addressing the bedding in issues most notably in Accounts Payable.
- 1.2 Cambridgeshire and Northamptonshire County Councils (CCC and NCC) signed off the business case for the replacement of their shared ERP (Enterprise Resource Planning – large scale business system integrating HR, Payroll and Finance) Oracle system in May 2015, followed by a procurement process and planned implementation for April 2017.
- 1.3 During the second half of 2015 LGSS began working on a joint business case for an extended shared service with Milton Keynes Council (MKC). MKC were also in the process of considering their options to replace their old SAP system which was out of support from July 2017. It was jointly agreed between the three Councils that there were major business benefits from a common ERP systems implementation, so the project was expanded to include the ERP systems for all three Councils which included an updated ERP business case delivering £9.86m of cumulative savings over 7 years (excluding the £4.2m of shared services saving benefits from the jointly agreed business case for all three councils resulting from MKC joining).
- 1.4 In addition, the replacement of SAP afforded MKC additional savings within their retained budgets. At the time and despite the additional complexity of adding a third Council and a SAP system migration requirement, it was agreed to still re-plan and resource but to try and hold the original 'Go-Live' date of April 2017 (which was primarily driven to help mitigate the July 2017 MKC SAP out-of-support service constraints at that time).
- 1.5 Over the past two years a number of factors contributed to make the original April 2017 'Go- Live' date progressively unrealistic. MKC's SAP requirements added more complexity than originally envisaged. Implementing across three partners has been a greater



challenge given the need to migrate three legacy data sets from two very different legacy ERP systems (i.e. SAP for MKC and Oracle for CCC and NCC). There was the necessity to accommodate unforeseen major changes in Northamptonshire County Council's organisation for its newly formed federated vehicles. This added very significant new demands onto the existing LGSS ERP 'business as usual' resources. In CCC the already stretched LGSS IT resources had to be focused on stabilising core IT Infrastructure problems affecting all existing CCC systems and services during the October 2016 to April 2017 period (by which point the IT infrastructure at CCC had stabilised).

- 1.6 There has also been change to the scope of the project since its inception, which although limited did place an additional burden on delivery and cost for an already very aggressive original go-live of April 2017. With hindsight it was perhaps too challenging to have held the original April 2017 go live date for so long.
- 1.7 On 24<sup>th</sup> November 2017, the Joint Committee received an update on progress with the programme, a revised cost forecast and the findings of an external review by Agilisys to provide assurance on the achievability of the revised delivery plan. Following that meeting, an update was provided by email to Joint Committee members on 14<sup>th</sup> December, which included a report from the new Senior Programme Manager. The report outlined the outcome of a major review of the revised programme plan. The plan, supporting the April 2018 delivery date, was endorsed by the Programme Manager and approved by the December meeting of the ERP Programme Board.

## **2 CURRENT PROGRAMME UPDATE**

- 2.1 The programme went Live as per revised plan in April 2018. This was a considerable achievement from the teams considering the scale and complexity of the deliverable.
- 2.2 We have delivered a good platform which now needs to be stabilised and enhanced.
- 2.3 General feedback from users is that the system is easier to use than SAP/Oracle. We still need to deliver Two Factor Authentication (TFA), the outstanding defects, incidents and improvements in the light of live running and a solution for a number of manual work arounds currently in place.
- 2.4 As is common with many programmes of this scale and complexity, there have been a number of post go-live issues which have undoubtedly had an impact on the performance of the various Helpdesks, in particular Finance and HR/Pay.
- 2.5 By mid-June, almost 250,000 transactions had been processed through the system, totalling £342m. Additional resources have been allocated to the AP team and they continue to work through open incidents and review processes to allow more issues to be dealt

with by the Finance Operations Helpdesk. Daily calls took place across the Finance teams and with the Deputy 151 Officers to ensure urgent issues are prioritised and effectively resolved.

- 2.6 In Payroll over 20,000 employees were paid on time with the first payroll achieving the historical accuracy rates of 99.5% maintaining previous BAU performance. We have now run payrolls for three months using ERP Gold across our Councils and schools. The HR Helpdesk has been busier than normal, which was expected following the implementation of a new system.
- 2.7 There have been a number of data processing errors on each of the payrolls, although it should be noted that in business as usual environments this can occur as well for a variety of reasons. Where these have been identified we have corrected payments as quickly as possible (on or before the actual pay date), minimising where possible any issues for the individuals in question.

### **ERP Programme forecast expenditure**

- 2.8 The table below sets out the expected final budget outturn and this has not changed from what was previously reported to GPC in November 2017, and how this is shared between the three authorities. The CCC and NCC amounts include £164k of specific costs in relation to extended support on the current Oracle ERP system. Also shown are the significant revenue contributions from CCC and NCC arising from the utilisation of the LGSS business systems and change team on this project. This results in a net capital cost of £6.767m which results in a variation on the plan of £1.275m (shared as shown across the three councils).

	Revised Capital Budget	Current Forecast	Revenue Contribution	Net Capital Cost	Variation
	£k	£k	£k	£k	£k
Cambridgeshire	1,615	2,959	935	2,024	410
Northamptonshire	1,643	2,959	935	2,024	382
Milton Keynes	2,234	2,791	72	2,718	484
<b>Total</b>	<b>5,492</b>	<b>8,709</b>	<b>1,942</b>	<b>6,767</b>	<b>1,275</b>

- 2.9 The specific impact on Cambridgeshire CC is as follows:  
For Cambridgeshire County Council (CCC) the capital budget included the original £1.428m and the £187k additional capital funding ask. Throughout the programme this has been supplemented by the revenue budgets of the current business systems and LGSS Programme team by £935k over the three years, giving a total available budget of £2.550 million. The predicted forecast CCC spend for the programme is £2.959 million (up to 1 April 18). This leave a forecast capital overspend of £410k for CCC (i.e. which is just over an 18% increase in original cost estimate).

CCC	Revenue and Capital Budget	Actuals Prior years	Actual 2017/18	Actual Total	Outturn Variance
	£k	£k	£k	£k	£k
Capital	1,615	1,107	917	2,024	410
Revenue	935	533	402	935	0
<b>Totals</b>	<b>2,550</b>	<b>1,640</b>	<b>1,319</b>	<b>2,959</b>	<b>410</b>

2.10 An additional £410k capital resource was requested from Cambridgeshire County Council and approved by the General Purpose Committee in November 2017. However, there will also be additional LGSS revenue savings delivered for CCC of £50k pa from 2019/20 increasing to £75k pa from 2020/21 onwards in respect of the Business Systems team and a further £75k pa from 2019/20 in respect of Finance Transactions and Payroll i.e. this is a capital payback period on additional capital funds of circa. 5 years for CCC.



**CHILDREN'S SOCIAL CARE CASE-LOADS QUARTERLY UPDATE**

**To:** Audit and Accounts Committee

**Date:** 20 September 2018

**From:** Lou Williams

**Electoral Division(s):** All

**Purpose:** Arrangements for Safeguarding Vulnerable Children and Adults – to report on Children's Social Care case-loads.

Concerns were previously raised by this Committee regarding high caseloads. Therefore this report provides a quarterly update to the Committee on children's social care case-loads to enable the Committee to monitor the potential risk involved.

**Key Issues:**

Following the Children's Change Programme units and teams have now located into the new districts. This initially caused some short term movement of cases, meaning for some units they are over the anticipated caseload. During the last quarter most of the districts have remained at a consistent high case load level, however, these have reduced in City and South Cambridgeshire to still high but more manageable levels. The graph below highlights some disparity when comparing total caseloads against each of the districts. You will see from the graph below that Fenland, Ely and Hunts units continue to have fewer cases compared to those in Cambridge City and South Cambridgeshire.

**Recommendation:**

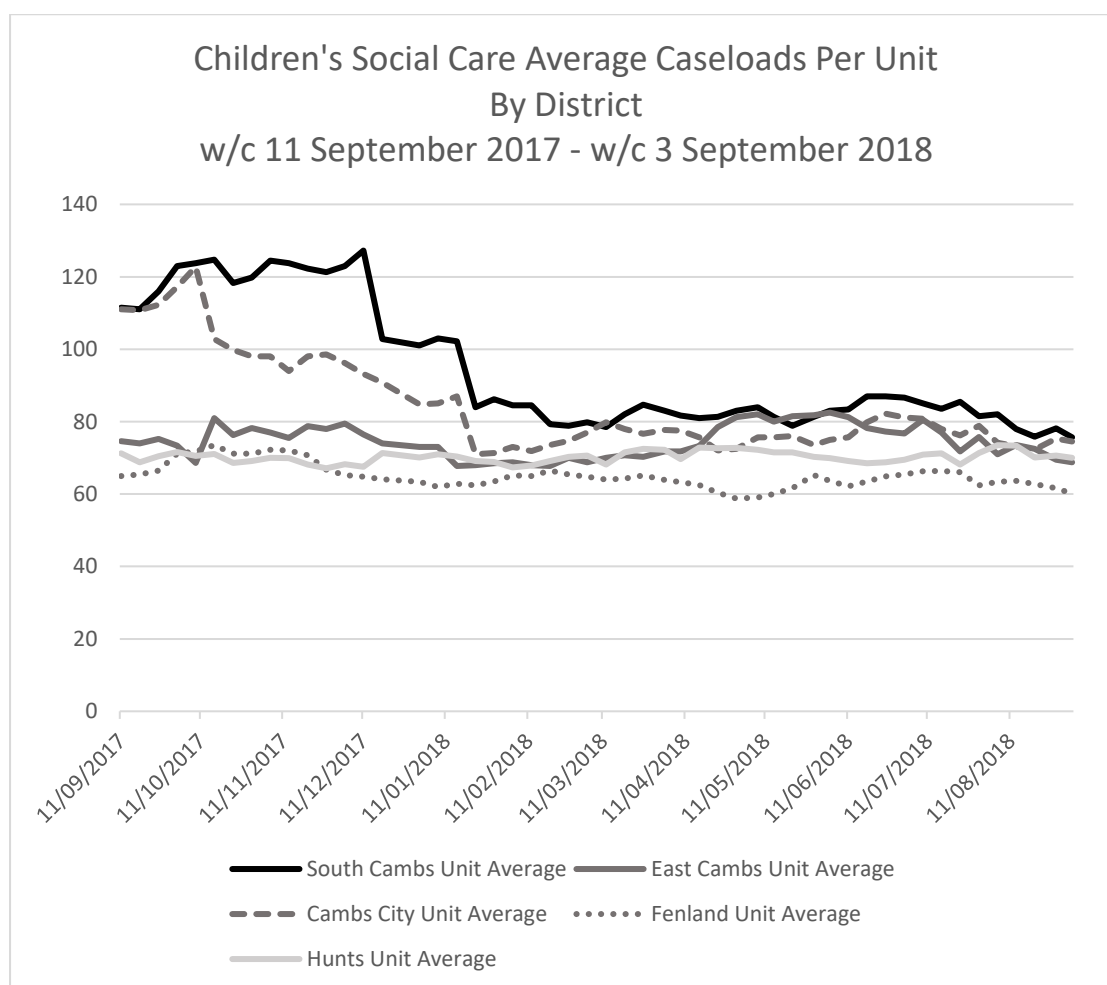
- a) To note and comment on the report.
- b) To note the continued monitoring of caseloads for the Children's Social Work Units by Children and Families Leadership Team.

<b>Officer contact:</b>	
Name:	Sarah-Jane Smedmor
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## 1. BACKGROUND

The below highlights number of cases for each of the district areas between 11 September 2017 and 03 September 2018.

### Children's Social Care Unit Caseloads



- 1.2 The Children's Social Work Units comprise a Consultant Social Worker, a Senior Social Worker, two Social Workers, one of whom can be an ASYE, (social worker in their first year of employment post qualification), a Unit Co-ordinator and Clinician support for three days a week. Each unit is also supported by two Family Workers from within the District. The units are established to support on average 60 children.
- 1.3 The Children's Social Work Units work with children from pre-birth to the age of 18. They become involved with children after the initial assessment of the risk to the child from Integrated Front Door and will undertake support to families under Section 47 Children Act 1989 - child protection, Section 17 Children Act 1989 - Child In Need and all legal proceedings, private law or public law. The work of the unit is underpinned by the desire to build meaningful relationships

with children and for one unit to know and understand the child's story and travel with them on their journey through social work services.

- 1.4 Children aged 14 and above who are Looked After are supported by the 14 - 25 Service, which includes dedicated teams for care leavers and Unaccompanied Young People.

## **2.0 MAIN ISSUES**

- 2.1 The movement of units into the new Districts, as part of the Children's Change Programme, is underpinned with the principle of:
- causing the least disruption as possible to the lead worker for the child,
  - maintaining relationships where possible.

Looked after Children are now transitioning to the 14-25 service at the most appropriate time, nearest their 14<sup>th</sup> Birthday.

- 2.2 Work continues to be undertaken by the District Safeguarding and Early Help Managers to identify which children could be supported to step down to Early Help Services within the District, which children can be closed for social work services as their plan has been successfully completed and which children need to be supported by another District, depending on where they reside. This work is ongoing and is being regularly reviewed to ensure the Early Help work is targeted to support families where the social care units are involved and children who are at the edge of care.
- 2.3 The Integrated Front Door have continued to have vacancies within the service which has impacted on the throughput of assessments in a timely way, further impacting on the levels of cases transferring to the units. These vacancies have been filled by agency workers in recent months which has improved these issues.
- 2.4 Workloads in the City and South Cambridgeshire presently remain higher than in the North, but have decreased over the last quarter and stabilised. As previously suggested we have successfully moved one Unit from Ely to Cambridge City and one unit from Huntingdon to South Cambridgeshire. There are now 16 units in South and 16 Units in North, which better reflects the demand we have seen over the last year.
- 2.5 We have been successful in recruiting to vacant posts in the North and these services have identified children who are no longer in need of services or who can be supported by Early Help, which was evidenced in the significant reduction in caseloads, even though the referral rate remains higher than expected.
- 2.6 Unfortunately, we have not had the same success in recruiting to the vacancies in South Cambridgeshire and City and whilst two new units moving into this service has increased staff morale, as has the reduction in caseloads, the vacancy rate means the work continues to be undertaken by Units with vacancies and this is impacting on staff morale. Vacancies are being filled with agency social workers when they are available.

- 2.7 As a result of the vacancies, Consultant Social Workers have been not only managing the staff within their units and overseeing the care planning for the children, but have been holding their own caseloads. This is not sustainable or acceptable in the longer term.

### 3.0 FUTURE PLANS

- 3.1 CYP Committee agreed on 22 May 2018, a proposal as to how the children social work workforce could be structured in the future to ensure they are holding reasonable caseloads of between 17 and 20 children, with good management oversight from their line managers and efficient care planning for children. The new structure will be implemented from the first week in November 2018.
- 3.2 Transformation, HR and the Assistant Director for Children and Families are leading on enhancing the way we advertise for and recruit social workers as it is apparent this is a challenge in Cambridge City in particular. A successful campaign was run in spring, jointly with Adult Services, which secured four new social workers. This campaign continues. In September we will have a recruitment stall at the national Community Care Live Conference in London with the purpose of recruiting social workers to Cambridgeshire.
- 3.3 We have worked jointly with Peterborough on an overseas recruitment campaign which has successfully recruited twenty two social workers who are starting their employment with Cambridgeshire County Council in October 2018. Once these workers are in post, the new structure will start with a full complement of staff in November 2018.
- 3.4 Caseloads are monitored by the Leadership Team on a weekly basis, with an action plan in place oversee the transitioning of cases. This includes a detailed look at the demand for social work services in each District.
- 3.5 The New Teams and District Early Help services will continue to work closely together ensuring families are receiving the right services, from the right teams, at the right time.
- 3.6 Whilst we anticipate the proposed restructuring will reduce the number of children's cases a social worker holds, we acknowledge there will need to be a period of at least twelve weeks carefully managed transitioning of cases from November onwards. This remains an area of concern and one that will remain under sharp focus by the senior leadership team.

<i>Source Documents</i>	<b>Location</b>
None	



**DRAFT - AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2017 - 18**

To: **Audit and Accounts Committee**

**Full Council**

Date: **20<sup>th</sup> September**

**16<sup>th</sup> October**

From: **Cllr Mike Shellens, Chairman of the Audit & Accounts Committee**

Purpose: **To present the Audit & Accounts Committee Annual Report 2017/18.  
The Audit and Accounts Committee issues an annual report to  
Council, detailing their activities during the year.**

Recommendation: **Audit and Accounts Committee are requested to review and  
comment on the report before it is submitted to Council.**

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## **Audit and Accounts Committee**

### **Annual Report**

#### **1. Introduction**

- 1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management.
- 1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.
- 1.3 The Audit and Accounts Committee has seven members and met six times in 2017/18. All meetings have been held in public.
- 1.4 The Committee has been structured around the following responsibilities:
  - Considering and approving the Annual Statement of Accounts;
  - Ensuring that the financial management of the Council is adequate and effective;
  - Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
  - Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
  - Ensuring that the Council has an adequate and effective Internal Audit function.
- 1.5 In its role of overseeing the work of Internal Audit the Committee was advised that in 2017/18, Internal Audit carried out 55 audit reviews including reviews of policies and compliance, embedded assurance work, risk-based reviews and contracts reviews. Internal Audit also completed 54 investigations and 9 grant certifications, as well as providing advice and guidance on a wide range of topics including input to reviews of a wide range of IT security policies, support to the People & Communities Quality Governance and Practice Development team on the development of new thematic audit methodologies, and advice on new processes for the purchase of equipment by social funds in day centres.

- 1.6 Throughout the course of the year, 87 actions which were considered to be 'significant' or 'fundamental' were implemented by management. 1 'fundamental' and 22 'significant' actions were still outstanding at the end of the year. Of the outstanding actions, the delay in implementation of ERP Gold had created delays in implementing nine audit actions which were reliant on the new system.

## **2. Proactive Work of the Committee**

- 2.0 The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

### **2.1 Safe Recruitment in Schools**

- 2.1.1 Safe recruitment in schools has continued to be a focus for the Committee in 2017/18, and the Committee regularly receives updates on the Council's work in this area. Schools The Education Directorate carries out regular safeguarding reviews in schools, which focus on safer recruitment, and Safeguarding and Safer Recruitment reports were provided to the Committee by the Council's Schools Intervention Service in July 2017, November 2017 and March 2018. These reports have shown an improvement over time in the findings of the reviews undertaken by the service's Education Advisers, and in the uptake of training provided by the service.
- 2.1.2 Assurance over safe recruitment practices was also provided by the Internal Audit team, which carried out a review of Payroll and Safe Recruitment in schools. This review included detailed compliance testing on safe recruitment at a sample of five schools, as well as reviewing the work of the Schools Intervention Service. Overall this resulted in a 'good' assurance opinion. Four out of the five schools tested also received a 'good' assurance opinion over their safe recruitment processes, with the remaining school being awarded 'satisfactory' assurance due to a single issue identified whereby a pre-existing DBS certificate was accepted from a candidate who was not registered on the DBS update service. Again, this represents an improvement from previous years findings.
- 2.1.3 The Committee will continue to monitor safe recruitment going forward. The reviews conducted by the Schools Intervention Service are likely to become

charged-for in the next academic year, as safeguarding is the responsibility of each school's governing body. Reviews would not be charged-for if undertaken due to concerns about the school, and a new RAG-rating system is being introduced to risk-assess schools for targeted safeguarding training and reviews. The Committee is expecting to receive further updates on these plans as they progress.

## **2.2 Risk Management and the Risk Register**

- 2.2.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved. The role of this Committee is to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment.
- 2.2.2 During 2017/18, the Corporate Risk Register reports were incorporated into the Integrated Finance and Performance reports which are received by the Committee on a quarterly basis. This report now links finance, performance and risk information in one place, reducing the bureaucracy associated with taking separate reports through a range of management and Member meetings.
- 2.2.3 In 2017/18, the Internal Audit team co-ordinated an external Risk Management Health Check review by the Council's insurers, Zurich. An action plan was subsequently developed to respond to the findings, and the major development for 2018/19 will be to implement the recommendations.

## **2.3 Corporate Governance**

- 2.3.1 The Council's Annual Governance statement is compiled on the basis of the findings of Internal Audit reviews throughout the year, assurance statements from executive and corporate directors, and input from senior management and members of the Committee. The 2017/18 Annual Governance Statement was reviewed by the Committee in May 2018, prior to final sign-off and inclusion in the Council's annual Statement of Accounts.

## **2.4 Council Finance and Statement of Accounts**

- 2.4.1 Throughout 2017/18, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Resources and Performance Reports to assess progress in delivering the Council's Business Plan and review the status of the Council's Key Performance Indicators. The Committee

regularly inquires and follows-up on areas which have overspends or other issues.

- 2.4.2 The Committee reviewed and considered the final ISA 260 reports from External Audit, on the completion of their review of the County Council and Cambridgeshire Pension Fund Accounts for 2016/17. This audit resulted in an unmodified true and fair opinion on the Council and Pension Fund financial statements, issued on 12<sup>th</sup> October 2017. External Audit also issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2.4.3 The Committee also considered and approved the annual Statement of Accounts. This is an iterative process, and the 2017/18 accounts were subject to changes to the statutory deadlines for production and publication of the Statement Accounts introduced by the Audit & Accounts Regulations 2015. This required draft accounts to be published by 31<sup>st</sup> May (previously 30<sup>th</sup> June) and final audited accounts by 31<sup>st</sup> July (previously 30<sup>th</sup> September).
- 2.4.4 The Committee received reports on planning for the new closedown process in November 2017 and January 2018, detailing the revised timetable and audit procedures to be followed to enable the new statutory deadlines to be met. The deadline for draft accounts publication was met, with the draft accounts reviewed by the Committee on the 12<sup>th</sup> June, and the Statement of Accounts and External Audit completion report reviewed on the 30<sup>th</sup> July 2018, in time for the final statutory deadline.
- 2.4.5 An objection regarding the lawfulness of certain transactions included in the financial statements, and decisions made by the Council, was made in respect of the 2016/17 financial statements, and a subsequent objection was also raised to the 2017/18 financial statements. These objections remain under consideration by the County Council's External Auditors.

## **2.5 Community Transport Investigation**

- 2.5.1 Throughout 2017/18, the Committee monitored the progress of the external investigation into concerns raised regarding several of the Council's Community Transport providers. The final report of the investigation was provided to the Audit & Accounts Committee meeting on the 31<sup>st</sup> July 2018, and the outcomes from this will continue to be a focus for the Committee in 2018/19.

## **2.6 Whistleblowing Policy**

- 2.6.1 In 2017/18 a new Whistleblowing Policy was drafted by Internal Audit and reviewed by the Audit & Accounts Committee prior to final approval by the Constitution and Ethics Committee. Pro-active work to promote the new policy was undertaken by Internal Audit, including a poster campaign to raise awareness, distribution of leaflets in public areas, and publicity on the Council's intranet and internal newsletters.
- 2.6.2 The annual report on whistleblowing for 2017/18 was brought to the Committee by Internal Audit in May 2018, reporting on the implementation of the new policy, whistleblowing concerns raised, and the results of a staff survey. As a result further updates to the policy and further pro-active work to raise awareness is planned for 2018/19.

## **2.7 Children's Social Care**

- 2.7.1 In 2017/18, the Committee has received regular updates on case load data within Children's Social Care. Having previously raised concerns regarding high caseloads in this area, regular reporting was introduced to enable the Committee to monitor the potential risk involved. In particular this has followed the outcomes from the Children's Change Programme.
- 2.7.2 The Committee also received a presentation on demand and demography planning in budgeting for Looked After Children, in March 2018.

## **3. The Committee's relationship with Internal Audit**

- 3.1.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a flexible approach from the Internal Audit team which ensures that planned coverage is continually assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions.

## **4. Terms of Reference for the Committee**

- 4.1 Having been fully reviewed and revised in 2016/17, the Terms of Reference for the Audit & Accounts Committee were reviewed by the Committee in May 2018, and retained with no changes.

## **5. Future Focus for the Committee**

As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including safer recruitment in schools and monitoring the implementation of the Council's whistleblowing policy.

A particular focus for 2018/19 will be the outcomes of the external investigation into Community Transport, and the Committee will play a key role in monitoring the implementation of key actions that were agreed as part of the Council's response to the investigator's findings.

More broadly, the Council faces significant challenges and changes to the environment within which it operates. In March 2017, the Cambridgeshire and Peterborough Combined Authority was formed, and recent years have brought closer partnership working with colleagues at Peterborough City Council. The Council continues to seek to deliver savings and investment through its Transformation Programme, to meet the ongoing challenge of reduced budgets coupled with significant growth.

This Committee carries out its responsibilities by directing and monitoring the efforts of Internal Audit. In future, given the financial situation, there will be ever-increasing emphasis on enabling the Council to provide a higher level of service to our customers within a defined budget. In line with the approach being taken by Council services more generally, the Committee's role is increasingly shifting towards a focus on outcomes. Close partnership working with other local authorities will also require a reassessment of how assurance can be obtained on behalf of the audit committees at each authority.





**TITLE            INTERNAL AUDIT PROGRESS REPORT**

**To:                Audit & Accounts Committee**

**Date:             20<sup>th</sup> September 2018**

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

**1.                PURPOSE**

- 1.1              To report on the main areas of audit coverage for the period 1<sup>st</sup> June 2018 to 31<sup>st</sup> August 2018 and the key control issues arising.

**2.                BACKGROUND**

- 2.1              The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2              The Committee is requested to consider the contents of this report.

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# **LGSS Internal Audit & Risk Management**

## **Cambridgeshire County Council**

### *Update report*

*As at 31<sup>st</sup> August 2018*

## Section 1

# 1. FINALISED ASSIGNMENTS

- 1.1 Since the previous Progress Report in July 2018, the following audit assignments have reached completion, as set out below in Table 1.
- 1.2 Please note that an unusually low number of assignments have reached final report stage during this period, primarily due to the resource pressure placed on the team by the need to complete urgent review work on the ERP Gold system. Full details of this and other current resource pressures, and plans to minimise the impact of these pressures on the Audit Plan going forwards, may be found at section 5.

**Table 1: Finalised Assignments**

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Place & Economy	Highways Service Contract Review	N/A	Limited	Moderate
2.	Cross-Cutting (CCC-wide)	IT Platform Stability Plan	Good	N/A	Minor
3.	People & Communities	Deprivations of Liberty – Residential & Nursing Care	Limited	Limited	Moderate
4.	Place & Economy	SWIM Project Grant	Grant certification provided.		
5.	Place & Economy	Growth Fund	Grant certification provided.		

- 1.2 Summaries of the finalised reports with satisfactory or less assurance are provided in Section 4. This also excludes individual schools audits, which are reported collectively once all reviews have been finalised.
- 1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

**Table 2: Draft/Interim Reports**

No.	Directorate	Assignment
1.	People & Communities	Deprivations of Liberty – Community Settings
2.	Cross-Cutting (CCC-wide)	Use of Consultants
3.	Place & Economy	Bus Service Operator's Grant
4.	Place & Economy	Cycle City Phase II
5.	Place & Economy	National Productivity Fund
6.	Place & Economy	Safer Roads Funding
7.	Place & Economy	Pothole Action Fund
8.	Place & Economy	Flood Resilience Fund
9.	Place & Economy	Cambridgeshire Challenge Fund

- 1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix A.

Section 2

## **2. FRAUD AND CORRUPTION UPDATE**

### **2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:**

A summary of the current investigative caseload of the Internal Audit team is provided below at table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit.

**Table 3: Internal Audit Investigations Caseload**

Case Category	Description of activity or risk example	No.	Outcomes
<b>Investigations</b>	FACT Investigation	1	Ongoing support to post-report process.
	Conflicts of Interest Investigations	2	Ongoing investigation work.
		2	Closed – no fraud.
	Whistleblowing Complaint	1	Ongoing investigation work.
	Mileage and Expenses Investigation	1	Closed – minor recommendations made.
<b>Totals</b>		<b>7</b>	

Section 3

### 3 IMPLEMENTATION OF MANAGEMENT ACTIONS

- 3.1 The outstanding management actions as at the end of August 2018 are summarised in Table 4 below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 3.2 There are currently 17 management actions outstanding. Of these, 4 are dependent on the implementation of ERP Gold, and have been delayed due to the 'go live' date being pushed back. These actions are all rated 'important' rather than 'essential'. Further detail is available at Appendix B.
- 3.3 Details of all outstanding actions are provided at Appendix B, below.

**Table 4: Outstanding Management Actions**

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
<b>Implemented</b>	0	0% (0%)	22	56% (53%)	22	56% (53%)
<b>Actions due within last 3 months, but not implemented</b>	0	0% (0%)	7	18% (11%)	7	18% (11%)
<b>Actions due over 3 months ago, but not implemented</b>	0	0% (0%)	10	26% (37%)	10	26% (37%)
<b>Totals</b>	0		39		39	

- 3.4 Eleven recommendations relating to the debt recovery and accounts receivable functions have been closed without being fully implemented, and removed from these figures. Remaining action on these recommendations has not yet been undertaken due to resource pressures and ongoing issues with the embedding of the ERP Gold system. Internal Audit is currently undertaking a full review of

accounts receivable and debt recovery in ERP Gold, and will re-evaluate the closed recommendations in conjunction with the findings of this latest work, which is expected to conclude in September 2018.

## **4. SUMMARIES OF COMPLETED AUDITS WITH SATISFACTORY OR LESS ASSURANCE**

### **A. PLACE & ECONOMY DIRECTORATE**

#### **A.1 Highways Contract Review**

In July 2017 the County Council commenced a new 10-year Highways Contract. Internal Audit therefore conducted a review to provide an early assurance that the management arrangements and internal controls are adequate in relation to this contract.

Based on the fieldwork completed, Internal Audit awarded limited assurance over the control environment in place for the Highways Contract. The review identified that few formalised policies and procedures exist, and although officers are making efforts to manage the contract in specific areas, overall the focus of management of the contract is not on the areas of key risk. The review also found that current controls do not reflect the necessary control environment for the contract in place.

Given the early stage that the contract is in, it is to be expected that there are areas of the contract management process which are not yet formally developed and embedded, or which need improvement. As such, Internal Audit conducted a review of day-to-day management practice relating to the contract, and produced recommendations for the service to use as a basis for developing a governance framework to improve the overall internal control environment.

Key recommendations include:

- Development of clear procedure notes identifying the key controls in the contract which must be complied with, and detailing how proportionate and effective contract management is achieved.
- The implementation of an annual reconciliation to actual costs at the end of each financial year, which should be subject to scrutiny by the Assistant Director of Highways and be reported to, and challenged by, the Joint Management Team.
- An annual programme of work to incorporate Key Performance Indicator data checks and quality visits across the contract, and an annual report on overall contract performance.



- Agreement over the definition of 'actual cost' so that a deduction for all disallowed costs and underperformance of any KPIs can be made at the end of the year. This should then be followed by an annual open-book review of the reconciliation, undertaken by Internal Audit on a sample basis.

## **B. PEOPLE & COMMUNITIES DIRECTORATE**

### **B.1 Deprivations of Liberty – Residential and Nursing Care**

An individual may be considered to be 'deprived of their liberty' under Article 5 of the Human Rights Act if they are under continuous supervision and control, are not free to leave, and have not consented to this. Such a situation may apply to Council service users who are in residential or nursing care or other care settings, particularly if they do not have the mental capacity to consent. The Council has a responsibility to ensure that individuals under its care are not deprived of their liberty without proper safeguards being in place, i.e. clear legal justification for the constraints they are under, and regular reviews of that justification and the level of constraint.

A different legal process applies depending on whether an adult being deprived of their liberty is in a residential or nursing home, or is based in the community. This review therefore focused on procedures for adults within care homes and hospitals, and a second audit review focused on procedures for adults in community settings. This will be reported in a subsequent Internal Audit Progress Report.

In reviewing this area, Internal Audit had regard to the fact that, as a result of a Supreme Court judgement in March 2014 which led to a much wider interpretation of what constitutes a 'deprivation of liberty' (DOL), many Councils including Cambridgeshire face a significant backlog of DOLs cases. The pressures faced by local authorities in this area have been recognised by the government and plans to replace the current DOLs system proposed. Equally, the advice from the Association of Directors of Adult Social Services (ADASS) is that although many authorities face difficulties in resourcing the number of referrals they receive, the evidence from the courts is that failure to meet the law leads to local authorities being required to pay damages and receiving public criticism.

Taking these facts into account, and based on the fieldwork conducted, Internal Audit identified a limited assurance level over the Council's control environment and the compliance with controls in respect of deprivations of liberty for individuals in residential settings. The service responded to the findings of the audit on an ongoing basis, and a number of actions to respond to the issues identified by the review have already been undertaken.

The review identified a very significant backlog of cases, with some dating back to 2015. On average, individuals who were potentially being deprived of their liberty were remaining on the waiting list for an average of 531 days, in excess of the maximum period of one year prescribed by the Mental Capacity Act. A Business Case for a project to address this backlog has been approved to provide additional staffing resources to address this issue and work is underway. This will include a review of the type and level of staffing resource required to maintain an effective DOLs process.

Internal Audit also identified a lack of a formal prioritisation process for DOL cases requiring assessment, with no records kept of case prioritisation and a lack of a formal prioritisation tool. Prioritisation work was primarily carried out by one individual, creating a risk of a 'single point of failure'. A risk-assessed case prioritisation process based on the ADASS Prioritisation Questions has now been implemented in the team and prioritisation work is now led jointly between managers and shared with a wider team.

## **5. OTHER AUDIT ACTIVITY**

### **5.1 UPDATES TO THE INTERNAL AUDIT PLAN 2018/19**

Internal Audit has experienced a number of pressures on the delivery of the Internal Audit Plan 2018/19, due to additional requests for Internal Audit work as a result of the changing risk profile. In order to accommodate these pressures within available resource, a comprehensive review of the Audit Plan has been undertaken in August which has identified the following proposed changes to the Plan.

#### **5.1.1 Pressures on the Audit Plan**

The following section outlines the pressures at work on the Internal Audit Plan, in addition to those pressures which have previously been reported which include further work on the Highways Contract and on Public Health contract management.

- At the request of the Managing Director of LGSS and the Chief Executives and Section 151 Officers of the LGSS Client Authorities, the Internal Audit and Risk Management team is currently undertaking a series of reviews of the ERP system, to provide stakeholder assurance over the system's operation and user compliance. This work has been requested for completion within a tight timescale during August and September 2018. In order to complete the work, significant team resource has been diverted; in addition to requiring a review of the Audit Plan to accommodate the resource pressure, this has also led to delays in the completion of other ongoing pieces of audit work.
- Following the Audit & Accounts Committee meeting to discuss the Community Transport Investigation on the 31<sup>st</sup> July, additional work for Internal Audit has been requested in responding to the findings of the investigation and providing assurance over the organisation's response. This has included work on reviewing Council practice in awarding grants to voluntary and external organisations, review of revised processes at community transport providers, and follow-up on actions identified as part of the investigation.
- During a review of Deprivations of Liberty in late 2017/18, it became apparent that two separate systems exist for Deprivations of Liberty for adults, depending on whether the individual affected is based in a residential or community setting. This reflects the separate legal processes for the two

types of setting. As a result, it has been necessary to conduct two reviews to provide assurance over Deprivations of Liberty in Adults Services, in addition to the review of Deprivations of Liberty in Children's Services. As a result, the second review has been added to the 2018/19 Audit Plan.

- Internal Audit have been asked to provide support and advice to the Waste Management Steering Group.
- A number of additional grants requiring Internal Audit sign-off have been notified to our team since the previous Progress Report, including the Flood Resilience Fund, Innovate UK Grant and Cambridgeshire Challenge Fund.

### **5.1.2 Proposed Revisions to the Internal Audit Plan**

These additional pieces of work place pressure on the Audit Plan as set at the start of the year. As agreed in our protocol, Internal Audit recommend that the following adjustments are made to the Audit Plan:

- Due to other pressures on the team outlined above, work on developing a framework for a new project assurance process based on the Council's new project management framework has been delayed. Consequently the full planned reviews focused on Transformation Project Assurance can be shifted back to 2018/19, with some coverage of this area provided through planned assurance work on high-risk projects in the latter half of this year.
- Remove the planned reviews of Business Continuity, Business Continuity for Key Contracts, Capgemini Report Response, and the Neighbourhood Cares Project. Based on a review of the Internal Audit Plan these areas are those which are considered more low-risk, or where it is most possible for assurance to be obtained through other reviews; for instance, it will be possible to obtain assurance over contractual business continuity arrangements in other ongoing contract reviews.

APPENDIX A

## CCC INTERNAL AUDIT PLAN 2018/19

Audit Title	Status	Quarter Opened	Quarter Closed
<b>Cross-Cutting and Council Wide Audit</b>			
Agency Staff Compliance	Open	2	
EU Procurement Regulations	Open	2	
Procurement Compliance	Open	1	
Unannounced Visits	Draft	1	
Impact of Price & Quality Evaluation	Not Started		
Development of Project Assurance Framework	Open	2	
Project Assurance of High Risk Projects (1)	Not Started		
Project Assurance of High Risk Projects (2)	Not Started		
Project Assurance of High Risk Projects (3)	Not Started		
Project Assurance of High Risk Projects (4)	Not Started		
Development of Project Management Framework	Open	2	
Management of Consultants and Interims	Open	1	
Financial Planning, Demand Mgt and Control	Not Started		
Ely Bypass Review	Open	1	
Key Performance Indicators	Open	1	
Corporate Key Performance Indicator Framework	Not Started		
Discretionary and Non-Statutory Service Provision and Expenditure	Not Started		
Fees and Charges Policy and Compliance	Not Started		
Annual Key Policies and Procedures Review	Not Started		
Directorate Performance Management	Open	1	
Grants to Voluntary Organisations Compliance	Not Started		
Grants to Voluntary Organisations Framework	Closed	1	2
Procurement Governance	Not Started		

Annual Whistleblowing Policy Report and Awareness	Not Started		
<b>People &amp; Communities Directorate</b>			
Contract Management of Residential and Nursing Care Providers	Open	1	
Direct Payments Compliance	Open	2	
P&C Contract Management	Open	2	
Troubled Families Grant 18-19	Ongoing	All year	N/A
Schools Payroll & Safe Recruitment 18-19	Not Started		
Personal Budgets	Open	1	
Fostering Service	Open	1	
Special Educational Needs Placements	Not Started		
Annual Safeguarding Assurance	Not Started		
<b>Economy, Transport &amp; Environment Directorate</b>			
Transport Contract Management	Not Started		
Section 106 Funding	Not Started		
Highways Contract Open Book Review 18-19	Closed	1	2
Highways - Commercial Group	Open	2	
Highways – Contract Review	Open	2	
Waste Management Steering Group	Open	2	
Street Lighting PFI Open Book Review 18-19	Not Started		
Waste PFI Open Book Review 18-19	Not Started		
Local Transport Capital Block Funding	Open	1	
Growth Deal	Closed	1	2
Bus Services Operators Grant	Draft	1	
Pothole Action Fund	Draft	1	
Cycle City Phase II Grant	Draft	1	
National Productivity Fund	Draft	1	
Safer Roads Funding	Draft	1	
Procurement Transport Project	Closed	1	2
P&E Partnership Services Cost Recovery	Open	1	
Innovate UK - Smart Cambridge Grant	Open	2	
Flood Damaged Roads	Draft	2	
Cambridgeshire Challenge Fund (Drought Damaged Roads)	Draft	2	
SWIM Project	Closed	1	2

Public Health and Corporate & Customer Services Directorates			
Public Health Contract Management	Draft	1	
Broadband Grant	Closed	1	1
Public Health Grant	Closed	1	1
Key Financial Systems			
Accounts Receivable	Not Started		
Purchase to Pay	Not Started		
Payroll	Not Started		
General Ledger	Not Started		
Bank Reconciliation	Not Started		
Treasury Management	Not Started		
Administration of Cambridgeshire Pension Fund	Not Started		
Financial Systems IT General Controls	Not Started		
ERP Assurance - Accounts Receivable	Open	2	
ERP Assurance - Accounts Payable	Open	2	
ERP Assurance - Payroll	Open	2	
ERP Assurance - General Ledger	Open	2	
ERP Assurance - IT Controls	Open	2	
Risk Management Audit	Not Started		
CCC Debt Recovery	Not Started		
Governance & Risk Management			
Risk Management	Ongoing	All year	N/A
Annual Governance Statement-Code of Corporate Governance	Ongoing	All year	N/A
Information Governance & IT Audit			
Information Security	Not Started		
Response to Information Security Incidents	Open	1	
Controls Review of Critical Systems	Not Started		
ICT Disaster Recovery	Not Started		
Anti-Fraud and Corruption			
Fraud Investigations 17-18	Ongoing	All year	N/A
Community Transport Investigation	Open	1	
Community Transport Tender Review	Closed	2	2
Whistleblowing Complaint	Closed	1	2
Declarations of Interest Investigation	Open	1	

Mileage & Expenses Investigation	Closed	1	1
National Fraud Initiative	Ongoing	All year	N/A
<b>Other Planned Work</b>			
Advice & Guidance	Ongoing	All year	N/A
Freedom of Information Requests	Ongoing	All year	N/A
Follow-Ups of Agreed Actions	Ongoing	All year	N/A
Audit Plan	Ongoing	All year	N/A
Committee Reporting	Ongoing	All year	N/A
Management Reporting	Ongoing	All year	N/A



## APPENDIX B

# Summary of Outstanding Recommendations

(Recommendations as at the end July 2018).

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

Audit	Risk level	Summary of Recommendation	Target Date	Status
Client Contributions Payment Methods	M	<b>Deferred Payment Agreements</b> The Service Delivery Manager Financial Assessments should ensure that all of the following staff are aware of the process for securing deferred payment agreements: <ul style="list-style-type: none"> <li>• Social Workers</li> <li>• Financial Assessments Team members</li> <li>• Debt Team members</li> </ul> If officers are not aware of relevant deferred payment agreements processes there is a risk that opportunities to secure debt recovery will be missed.	30/09/17	The service reported that development of mandatory Care Act management training for all new employees involved with deferred payments has started, but there have been major delays due to lack of capacity in the team. Due to staff turnover, new staff are now needing to be trained in undertaking the processing of Deferred Payment Agreements. This has been included as an outcome in appraisals for this year with a target date of 30 <sup>th</sup> September.  <b>Revised target date: 30<sup>th</sup> September 2018</b>
	M	<b>Services should apply to be transformed</b> Once services are able to determine the total cost of transactions by payment method, there should be a clear prioritisation for transforming services, based on the anticipated savings from transformation.  Without this prioritisation there is the risk that services may use less cost-effective methods of payment, at higher cost to the Council.	30/11/16	The service previously fed back that the roadmap for the Civica ICON project would include prioritisation for transforming services, based on anticipated savings and the new data that can be obtained from Civica.  Ownership of Civica ICON has now passed to the IT & Digital Team. There have been issues experiences with the interface between ICON and ERP Gold which has meant that the project to transform services has not moved forward quickly because this currently requires manual

				processing. At present a formal prioritisation for the transformation has not therefore been developed. This is being taken forward by Transformation and the IT & Digital Service. This remains the case at time of report.
<b>Information Security Culture</b>	M	<p><b>Information Security Incidents</b> The Information Governance team should amend the incident report template to ensure higher-risk actions resulting from security incidents are followed up and reviewed to ensure completion.</p> <p>The team should also amend the Information Security breach procedure, to include a formal escalation process to the IM board actions to prevent further incidents have not been completed.</p> <p>If there is no follow-up and actions are not completed, there is an increased risk that security incidents may happen again.</p>	31/12/17	<p>The service provided an initial response to audit follow-up, but on review this indicated that the information request may not have been fully understood.</p> <p>The Draft Audit Plan for 2018/19 includes a review of service responses to information security incidents. This audit is now underway and will provide a clear view of whether this action has been implemented and any further actions required.</p>
<b>Capital Programme Project Management</b>	M	<p><b>Scheme appraisal</b> Capital Programme Board is looking to relaunch the new business case template and capital process, which will include the process for reviewing ongoing schemes.</p> <p><u>Risk:</u> Schemes are scored inaccurately or inconsistently in Investment Appraisals, which could lead to schemes not being properly prioritised.</p>	31/03/18	<p>The Business Case template has not formally been re-launched yet. This is due to workload pressures from the revised timetable for production of the Council's Statement of Accounts, and absences over summer. However while not formally launched, the Capital Accountant has confirmed informally that all finance staff and members of CPB are aware of the template and the process, so it is already in use.</p> <p><b>Revised target date: 30<sup>th</sup> September 2018</b></p>

	M	<p><b>Maintaining complete, up to date project documentation</b></p> <p>Where changes are made to the scope of a project, the project documentation should be updated to reflect this. Where projects are ongoing for a long time, key documents, such as the business case and records of roles and responsibilities, should be reviewed regularly to ensure they remain up to date. This should include formally revisiting business cases and investment appraisals at least every two years.</p> <p><u>Risk</u>: Without the new template documentation may not be kept up to date meaning it cannot be referred back to if required, those outside the project team cannot see what is being done, and handovers are harder to do when there are changes to project staff.</p>	31/03/18	<p>Capital Programme Board has now agreed a process that whenever figures are updated as part of the Business Planning process, the Business Case will also need to be updated and send to corporate finance, who will then decide whether the update is significant enough that the revised Business Case needs to be returned to Capital Programme Board. The entire Business Planning Programme is reviewed every year, so if any individual Business Case needs to be updated, this should be identified as part of that review. This will be set out when the Business Planning programme is relaunched.</p> <p><b>Revised target date: 30<sup>th</sup> September 2018</b></p>
<b>3rd Party Assurance</b>	M	<p><b>Contracts do not have third party assurance requirements</b></p> <p>Officers responsible for commissioning high-value contracts with suppliers who are likely to hold or process large volumes of personal data, should consider including in their specifications that the Council must be provided with appropriate third party assurance over the security of systems. IT and Procurement officers should be aware of the possibility of including these requirements in specifications, and provide advice and guidance to officers commissioning such contracts.</p>	31/05/18	<p>The Head of Business Intelligence confirmed work is progressing on this recommendation as part of the General Data Protection Regulations contract work. This work is expected to be completed by the end of October 2018.</p> <p><b>Revised target date: 31<sup>st</sup> October 2018</b></p>
<b>Schools Payroll &amp; Safe Recruitment</b>	M	<p><b>Review of CCC Contracts with External Payroll Providers</b></p> <p>Internal Audit recommended a review of CCC's contracts with the external providers of payroll services to maintained school, to assess the requirements relating to the provision of third-party assurance over integrity of</p>	30/06/18	<p>A meeting with external payroll provider EPM is scheduled for September 2018 to discuss the recommendation.</p> <p><b>Revised target date: 30<sup>th</sup> September 2018.</b></p>

		payroll systems.		
<b>Joint Safeguarding Board Arrangements</b>	M	<b>Quorum Requirements for Joint Safeguarding Board</b> Internal Audit recommended that quorum requirements for the Joint Safeguarding Board are amended to require members from all three statutory partners to be in attendance in order for a Board meeting to be quorate. This requirement should be documented in the Terms of Reference for the Local Children Safeguarding Board and Safeguarding Adults Board.	31/07/18	This has been delayed due to the need for Executive Board sign-off but is expected to be approved at the next Executive Board meeting in September 2018.  <b>Revised target date: 30<sup>th</sup> September 2018.</b>
<b>Business Intelligence Continuity</b>	M	<b>Business Intelligence Service Plan and Team Work Plans</b> The Business Intelligence Service Plan should be reviewed to include how the Service aims to reduce silo working and overdependence on specific individuals and plans for cross-skilling members of the team.	30/06/18	Internal Audit is seeking assurance regarding how this has been incorporated in the current round of Business Planning.
	M	<b>Workforce Development Plan and Procedure Notes</b> A shared workforce development plan to be produced across the service. Procedure notes to be produced for key tasks in the Research and Internal Information teams, in particular any tasks which are undertaken by a single individual or are subject to significant time pressures.	30/06/18	The team note that a training plan has been produced and procedure notes created for key processes. Cross-skilling work is to be addressed as part of service planning in 2018/19.
	M	<b>Staffing Coverage in the Business Continuity Plan</b> Staffing to be included in the service's Business Continuity Plan, including detail of how the service will continue to provide services during periods of time where large numbers or key members of staff are unavailable. The plan should identify potential key points of failure, with a focus on any statutory services or work which affects statutory services.	30/06/18	The service has a staffing resource planner to monitor staffing hours available to them, which is reviewed by management and reported to Directorate Management Team via a highlight report. Internal Audit is seeking to ascertain whether staffing is covered in the Business Continuity Plan.

	M	<b>Written Prioritisation Framework</b> A formal written prioritisation framework to be produced as part of service planning. This will clearly identify what work constitutes planned 'Business As Usual' work and the capacity required to complete this; how the service will prioritise requests for additional work from commissioners and the process of approving new work to be taken on; and how the team will identify work which can be cancelled or delayed if high-priority additional work is identified and there is not capacity to complete this as well as other planned work.	30/06/18	Creation of a written prioritisation framework is to be addressed as part of service planning in 2018/19. Internal Audit is seeking assurance over current progress with this action.
<b>Direct Payments Compliance</b>	M	<b>Monitoring done by Direct Payment Support Services</b> The role of the Direct Payment Support Services in relation to the type and frequency of monitoring they carry out on accounts must be clarified.  Direct Payment Monitoring Officers should monitor a sample of trackers with the relevant invoices to ensure Purple/Penderels are paying out money in accordance with the service user's Care and Support plan.  Risks: • Service users could misuse their money without detection • The Council may not be getting value for money from their chosen Direct Payment Support Service	30/04/18	The Internal Audit team are now reviewing direct payments contract processes as part of the 2018/19 Direct Payments review.

## Summary of Outstanding Recommendations – Dependant on ERP Gold

(Recommendations as at the end July 2018).

Audit	Risk level	Summary of Recommendation	Target Date	Status
<b>Information Governance Policies</b>	M	<p><b>Asset management policies and procedures</b></p> <p>A complete physical asset register, listing the council staff member responsible for the asset should be created</p> <p>If assets are not managed or lost there is a risk of data breaches occurring (and not identified) leading to reputational or financial damage.</p>	30/09/17	<p>As part of the new ERP Gold system there is a plan to create a “Resource Master File” to record when a new/moving staff member is issued a piece of IT equipment. This was delayed due to the go live date for ERP Gold being pushed back.</p> <p>There have been delays due to ensuring the ERP system is ready and ensuring that IT are involved. A review of the system is needed. Progress is expected early next year.</p> <p><b>Revised target date: 1<sup>st</sup> January 2019</b></p>
<b>Section 106</b>	M	<p><b>S106 Monitoring system records:</b></p> <p>Following the introduction of a new S106 monitoring system, every scheme should be subject to detailed review to establish that all of the information relating to each scheme is complete and accurate.</p>	30/09/17	<p>This is dependent on procurement of the new monitoring system, which has been delayed. Given the problems with ERP Gold when it went live, it was agreed amongst the project team that more time should be allowed to ensure that ERP Gold is performing satisfactorily before they commit to procuring the new system. Current IT / LGSS Digital is reviewing the final IT requirements in light of ERP Gold functioning, which will allow the procurement to go ahead. A Business Case is being drafted with the Transformation team.</p> <p><b>Revised target date: end September 2018.</b></p>

<b>Client Contributions Payment Methods</b>	M	<b>Monitoring Take-Up of Direct Debits</b> Regular monitoring of the take up of direct debit payments should be undertaken to identify if activities to encourage customers to pay by direct debit have been successful.	30/04/17	Direct Debit uptake will be added to the list of proposed measures for the finance dashboard, to be agreed by management teams. This action was planned to be linked to the new online Direct Debit form being set up. This form has been delayed in being developed due to issues with ERP Gold.  <b>A further update will be chased for 31 October 2018.</b>
<b>Safe Recruitment Compliance</b>	M	<b>Flag Overdue DBS Information:</b>  For all employees involved in regulated activities and who require an Enhanced DBS check, a flag should appear on ERP Gold until DBS information has been entered. Without this, there is a risk that follow-up action to ensure all DBS checks are in place may not be undertaken.	31/12/17	The problems with reports from the new ERP system are ongoing. HR are working with colleagues involved in delivery of ERP to try to progress this action. At present it is not possible to give a clear indication of when it is likely to be possible to implement this action.  <b>A further update will be chased for end September 2018.</b>





**ERP GOLD IMPLEMENTATION UPDATE REPORT**

*To:* **Audit and Accounts Committee**

*Date:* **20 September 2018**

*From:* **Acting LGSS IT Director, Steve Day**

*Electoral Division(s):* **All**

*Purpose:* **To update Audit and Accounts Committee on ERP Gold (Agresso (Unit4 Business World))**

*Key Issues:* **Following an ERP update given to CCC Audit and Accounts Committee on 7<sup>th</sup> August**

*Recommendation:* **That Audit and Accounts Committee note progress on ERP Gold Assurance**

<b><i>Officer contact:</i></b>
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Tel:

## **1. REPORTING**

- 1.1. The new ERP system has been live since 1<sup>st</sup> April. There is a comprehensive suite of standard reports available on ERP Gold to enable financial management and these are fit for purpose. One of the design principles for the implementation was to take where possible the vanilla suite of Agresso processes and reports. 150 reports are in place across the 7 ERP clients and a full reports schedule is held by CCC's Deputy s151 Officer.
- 1.2. Five months in, there are some modifications and additional reporting requirements which have been identified by the business and a review is currently underway to determine the timescale for changes and to prioritise those which are deemed most important. CCC will of course be central to this prioritisation process together with S151 Officers at MKC and NCC.
- 1.3 User familiarity with reporting in the new system is an ongoing challenge. This change is always challenging when users are so comfortable with the previous system, but we continue to work with the finance teams and budget managers to support and if possible accelerate their growing confidence and system expertise.

## **2. 2017/2018 BALANCES**

- 2.1. The approach that had been agreed was for all debtors and creditors (revenue and capital and including payments and receipts in advance) to be reversed from the legacy SAP and Oracle systems early in the new financial year.

The remaining balances were to be updated in ERP Gold when the statutory audits were complete and the 2017/18 accounts signed off by external audit.

## **3. CONTROL AND SUSPENSE ACCOUNTS**

- 3.1. There is a complete schedule of all 136 control and suspense accounts across all three partners which are being monitored. 43 of these are for CCC including the Pension Fund. This schedule has been sent to all Deputy S151 Officers and will be updated and shared on a monthly basis going forward. There are some refinements being made, the key one being the direct link to the trial balances of each of the authorities to ensure completeness.
- 3.2. The three key control account reconciliations – AP, AR and Payroll bank accounts – are up to date. The review of working papers for the end of accounting period 4 (July 2018) showed:
  - AP – no unidentified reconciling items requiring further investigation in AP
  - AR – 19 statement lines requiring further investigation in order to reconcile
  - Payroll – 12 statement lines requiring further investigation in order to reconcile

- 3.3. There are however some issues which are being addressed. As you are aware, the AP processing backlog is being monitored separately. This has been significantly reduced from earlier in the year and is now close to a business as usual level. Full detail on backlogs has been provided to the Deputy s151 Officers on an ongoing basis since early May, at meetings initially held three times a weeks and more latterly weekly. Payments through interfaces have been made on a timely basis since late May. However, we know the timeliness of accounting for Chaps payments has been an issue and there is an action plan now in place to ensure such entries are made within 48 hours of the transaction taking place.
- 3.4. Also set out in the schedule are uncleared income items which is an issue which has been previously highlighted. Sales Order generated income is immediately recognised in the general ledger. When income is received without sales order references or it is uninvoiced, there may be matching challenges and the monies therefore held in suspense. There were backlogs here but matching is now at business as usual levels.
- 3.5. There is a similar issue relating to Chaps in AP and Treasury items in AR. These too will be cleared within 48 hrs of the receipt of income.
- 3.6. There has been a significant reduction in CHAPs payment. We are currently running at 1-2 CHAPs payments per day throughout all customers, rather than the 8-10 during the peak of the backlog.
- 3.7. Work continues on reviewing the accounting entries for CHAPs payments since go live. This work is now 70% complete.
- 3.8. The Aged Creditors report has been amended to provide the received date, last workflow date and latest workflow comment. Many of the aged invoices AP cannot move because there is an outstanding query and the end user has been contacted. There are a number of invoice over 30 days that remain in query mode, awaiting a response, but currently sit in an AP status until the required action is complete.
- 3.9. Utilisation of the aged creditors report to manage any backlog has allowed the identification of a number of migrated invoices that were already paid in Oracle. These invoices are sitting with AP and status A, and therefore will be cancelled.
- 3.10. Review is underway of all invoices and credit notes within ERP since go live to identify duplicate invoices for CCC and the detail will be shared once a clear understanding has been identified. There will then be a final duplicate review against Oracle and ERP data.
- 3.11. A review of the Tradeshift Optical Character Recognition (OCR) solution functionality that automates the reconciliation of invoices to purchase orders without manual intervention will take place over the coming month, results will be shared with all Partners.

#### **4. ACCESS AND PERFORMANCE**

- 4.1. There is clearly an issue with confidence in using the system which we've been seeking to address via the ERP network in CCC, drop in's (more scheduled in September) the I-Learning and Qwik cards and individual query answering, but we do need to work better together to support managers and I'd be happy to discuss what else can be done.

The dates are as follows:

- 3 Sep: Hereward Hall (The IT Room), March - 10am-12.30pm: 12 people attended
  - 4 Sep: Shire Hall (Room 222a), Cambridge: 23 people attended
  - 25 September PM, IT Suite, Hereward Hall, March
  - 26 September, Room 222a, Shire Hall
  - 28 September, Room 101, Vantage House, Huntingdon
- 4.2. Additionally we are also looking at other methods of delivering sound bites and eLearning initiatives to maximise user learning and utilisation of the system. Feedback from the sessions held last week was as follows:

- Annual leave process understanding
  - Setting up work schedules where no regular working pattern
  - New manager – how to see direct report details, sickness reporting, task management
  - Error messages when using excelerator and not being able to download reports needed
  - How to find and view payslips
  - Annual leave calculation
  - Establishment incorrect and how can I correct this
  - Nine day fortnight and how to reflect in work schedule
  - Help with items in task list
  - Managing fluidity in rotas, working patterns rest to standard pattern after they had been changed
  - How to check where budget codes have gone for approval so they can be chased
  - Refresh and access to budget reports and aged debt report
  - CCC Remote access to ERP is slow
- 4.3. Secondly, system performance. We know it has been running slowly at times albeit there have been no crashes since implementation. This does affect user experience and there is a temptation to do something else, return and then open multiple ERP windows which further slows the system. The Business Systems Team are working with Unit4 (the system provider) as a matter of top priority to identify a solution. At the time of writing further investigations are ongoing and we will keep you updated.

- 4.4. There have been a number of times when the system has stopped doing routine processes, typically this has occurred out of hours. This has caused processing to be paused until the servers are brought back up and transactions held in the system freed up. An options appraisal is being undertaken around IT support arrangements – especially out of hours, and in the meantime closer monitoring is in place so that corrective action is taken as soon as possible.
- 4.5. System support is under review and if further change is required costed options will be brought back to the ERP Board and partner Councils.

## 5. SYSTEM ASSURANCE AND PLANNED AUDIT ACTIVITY

- 5.1. Internal audit of the new system - IT Security, General Ledger AP, AR and Payroll has always been planned work for the second half of the year. Given the recent concerns this work has now been broken down into three tranches with the system assurance being under taken during September, the full table is as follows:

System	Scoping/ documenting the system controls*	Fieldwork*	Findings Summary	Final report~
<b>IT Security</b> Assurance work Med Term Compliance Full Year Compliance	Jul/Aug	Aug/Sep Dec Feb/Mar	30/09/18 31/12/18 31/03/19	30/04/19
<b>General Ledger</b> Assurance work Med Term Compliance Full Year Compliance	Jul/Aug	Aug/Sep Dec Feb/Mar	30/09/18 31/12/19 31/03/19	30/04/19
<b>AP and AR</b> Assurance work Med Term Compliance Full Year Compliance	Jul/Aug	Aug/Sep Dec Feb/Mar	30/09/18 31/12/18 31/03/19	30/04/19
<b>Payroll</b> Assurance work Med Term Compliance Full Year Compliance	Jul/Aug	Aug/Sep Dec Feb/Mar	30/09/18 31/12/18 31/03/19	30/04/19

\* Scoping has been completed on all above work and testing commenced on all audits with the exception of Payroll.

~ It is intended to provide updates on findings throughout the stages of the work as above, but a formal, final report to encompass the professional requirements of providing an Annual Audit Opinion for 2018/19.

As is standard practice these reports will be addressed to the CFO as well as the functional leads.

- 5.2. So, based on the ERP Gold system testing pre-GoLive and the activities detailed above, assurance can be given on the integrity of the ERP Gold System and financial reporting, which should be verified by the planned audits.
- 5.3. However, the accuracy of financial reporting will also be impacted by manual document inputs, user activity, manual processes and feeder systems such as Carefirst. There is constant engagement with services and your finance business partners to address data accuracy issues.
- 5.4. We are all committed to ensuring ERP Gold performs well and that service users feel confident in using it as an effective planning and reporting tool, and we will keep you updated on the slow running issues we have under review with Unit4.
- 5.5. We do need to continue to work together to improve end to end processes and the quality of data from feeder systems, and I certainly agree that the post GoLive period for ERP Gold has been more challenging than we had expected. But having taken the actions documented above, the basis for accurate financial reporting is in place. System assurance will then be further underpinned and validated by the planned Internal Audits.

Background Documents: none

**REVIEW OF THE 2017/18 STATEMENT OF ACCOUNTS PROCESS**

To: **Audit and Accounts Committee**  
Date: 20 September 2018  
From: Jon Lee (Head of Integrated Finance Services,  
LGSS)  
Electoral Division(s): All

**Purpose:**

To review the 2017/18 accounts closure process and identify lessons learned to improve the 2018/19 accounts closure.

**Key Issues:**

This report reflects on the accounts production and audit process in order to seek improvements in the 2018/19 process. The following areas are covered with improvements highlighted that Officers will implement:

- General closedown considerations
- Review processes for the draft statement of accounts
- Capital valuations
- Grant recognition
- Related parties

**Recommendation:**

The Audit and Accounts Committee are asked to note and comment on the contents of the report.

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## **1. BACKGROUND**

- 1.1 At the 30 July 2018 Audit and Accounts Committee the Committee requested a report be presented to the September meeting reviewing how the accounts process for 2017/18. This report provides the requested review and highlights lessons learnt that Officers are taking forward into the 2018/19 closure of accounts.
- 1.2 Further updates on the progress of the 2018/19 accounts will be reported to the Committee at future meetings.

## **2. MAIN ISSUES**

- 2.1 The accounts closure process for local government accounts is complex involving numerous processes, information and evidence requirements and input from many teams across the Council and LGSS. The following sections therefore discuss the main areas of the accounts and audit process where there were either issues or where changes can be made to effect positive changes to the 2018/19 closure process.

### **2.2 General Considerations**

- 2.2.1 Reporting the progress against the prior year audit recommendations can be improved by more formally monitoring and reporting to the Committee an update on progress against the ISA 260 Action Plan. This will be done at each Committee meeting starting with the November 2018 meeting. The intention of this change is to demonstrate when and how improvements are being implemented.
- 2.2.2 As part of the processes being designed and implemented for the first year-end closedown using ERP Gold, a number of pieces of work traditionally carried out at year-end will be brought forward and given month 9 or 10 deadlines. For example the processing of the annual Minimum Revenue Provision (MRP) journal. A formal list of items that can be brought forward will be agreed in consultation with the external auditors in order to maximise the amount of year end work that can be done earlier and also the benefit that can be gained from the interim audit work.
- 2.2.3 The quality of working papers for audit is an area where continual improvement is sought. Review processes for working papers will factor in a check to ensure that the working paper meets the audit requirement and refers to the CIPFA Code to demonstrate compliance. More focus will also be provided on the CIPFA Disclosure Checklist to ensure that the Council's accounts are Code compliant.



- 2.2.4 During the audit responses to audit queries was mixed for 2017/18. Where audit queries required the Integrated Closedown team or the CCC Finance team's input, these were generally responded to promptly in order to resolve the queries. Where responses and information was required from other parts of the Council or LGSS then the response times were much more mixed with delays being experienced in some areas. This is an area where improvement is needed, since greater traction in responding to audit queries will enable the audit work to be completed sooner to achieve the earlier deadlines. The Head of Integrated Finance and the Head of CCC Finance will communicate the requirements across all relevant parties and review the approach to managing audit queries.

## **2.3 Review of the Draft Financial Statements**

- 2.3.1 A review of the draft financial statements was undertaken for 2017/18 which did highlight and enable resolution of a number of issues prior to publication. However the reduced time available for production and review of the accounts in 2017/18 was a particular challenge, being the first year of the new timetable, and the amount of time available for review of the draft statements was relatively short. The external auditors did identify some errors in the draft statements, which highlights that this is an area where improvements can be made.
- 2.3.2 The implementation of ERP Gold and the resultant changes in process will have two key benefits that will enable improvements to this part of the process:
- (a) The 'push of a button' approach to producing the statement of accounts will have a smoothing effect on the closedown workload, requiring a move to in-year review work. This will provide additional time for review during the year and also reduce the amount of review work required at year end.
  - (b) The statement of accounts template is designed to enable Finance to produce interim accounts at the push of a button rather than the labour intensive annual process used previously. As a result analytical reviews can and will be carried out during the year, enabling issues to be raised, investigated and resolved before closedown processes begin.
- 2.3.3 In addition prior to the review by management, a review will be undertaken by another member of the LGSS Closedown Team who has had limited involvement in the production of the accounts enabling a peer review with a fresh pair of eyes.

## **2.4                    Capital Valuations**

- 2.4.1    The valuation of assets is a significant area of the accounts and closure process both in terms of complexity and value of the accounting entries and asset values. This is therefore considered a key area to consider changes in the way we deliver the requirements for the accounts.
- 2.4.2    From the 2017/18 closure process one issue that the external auditors raised was whether an indexation review was required on those assets that had not been subject to indexation or revaluation at the balance sheet date. This issue came out quite late in the audit process.
- 2.4.3    The rolling valuation programme has traditionally been carried out to provide valuations as at 1 April each year. This has the impact of increasing the likelihood of asset carrying values being materially incorrect at the balance sheet date of the 31 March in the following (i.e. virtually a year later). In order to manage this issue an approach of valuing high value properties at 31 March in order to provide a more current assessment on a large proportion of the asset had been adopted. However due to the large percentage movements of values in-year this approach proved insufficient and required discussions with the auditors and a material audit adjustment to the 2017/18 asset values.
- 2.4.4    For 2018/19 Officers are planning to change the valuation date for the rolling programme from 1 April to later in the financial year, for example December. The intention being that the risk of a material misstatement occurring within the last quarter of the year is lower than over a twelve month period.
- 2.4.5    Also as part of the closedown approach to asset valuations an analysis of potential indexation movements will be undertaken. Market movements as advised in the valuer's market review will be used to assess whether assets not revalued at the balance sheet date are not materially misstated. If the process indicates that a material change is required then indexation will be applied to the appropriate asset categories and included in asset values at the 31 March and supporting working papers with audit evidence.
- 2.4.6    In respect of other aspects of asset valuations:
- (a) For non-capitalisation of vehicles, plant and equipment an annual review will be introduced to demonstrate compliance with the CIPFA Code. This will form part of the audit evidence in preparation for the final audit;
  - (b) For the capitalisation of Highways expenditure the approval processes currently undertaken regarding Insight will be

reviewed and improved to ensure more timely approvals in the system and additional work will be carried out as part of the year-end accruals processes to capture any outstanding approvals that may be required; and

- (c) The fixed asset register is to be migrated to ERP Gold during 2018/19, requiring a review of all relevant processes. As part of this, the process for timely removal of assets disposed of from the asset register will be made more robust.

## **2.5 Grant recognition**

- 2.5.1 As part of the process amendments resulting from the implementation of ERP Gold, the process for posting grants to the ledger will be changed through general ledger coding changes to improve the visibility of grants in the in-year monitoring reports to aid earlier reconciliation and resolution of issues.
- 2.5.2 As stated earlier, the implementation of ERP Gold will increase the in-year review work carried out by the Closedown Team so that reconciliations between grant registers and the statement of accounts will take place regularly throughout the year. Such an approach will also enable the external auditors to undertake part of the grant income review during the interim audit, reducing the pressure on the final audit.

## **2.6 Related party transactions**

- 2.6.1 A review of declarations will be added to the year-end processes to identify potentially material transactions that may need to be disclosed. A second review prior to publication will also be carried out annually by management.

## **2.7 Data Analytics**

- 2.7.1 All audit firms that we have worked with have been moving their audit approach to consider whole sets of data and transactions through data analytics. In recent years some difficulties have been experienced in terms of providing the right data first time for the auditors. One of the issues being that the previous auditors wanted to liaise directly with Fujitsu (the Oracle financial system provider) in order to do this instead of through the relevant team in LGSS.
- 2.7.2 Data analytics is an approach that Ernst and Young, (EY) the new external Auditors will utilise for their audit work and there is therefore some scope for improving this aspect of the process. Officers will work with EY to agree the data specification required in order to enable this work to run more smoothly than it has in previous years, with the potential of making greater use of data analytics during the interim

audit for periods 1 to 9. This will involve the LGSS Business Systems team and EY in order to agree the report parameters and produce this early in the year to enable year end to run smoothly.

Source Documents	Location
N/a	

**LEVEL OF OUTSTANDING DEBT**

*To:* **Audit and Accounts Committee**

*Meeting Date:* **20<sup>th</sup> September 2018**

*From:* **LGSS Finance Director**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **To update the Committee on actions being taken to control and manage debt and to agree an adjustment on the debt management targets.**

*Recommendation:* **The Committee is asked:**

- a) **To note the actions being taken to manage income collection and debt recovery.**
- b) **That the 2018/19 debt reduction targets agreed last year are now applied in their entirety to debt aged over 90 days old at 31 March 2018 as follows:**

	<b>Adult Social Care</b>	<b>All other Sundry Debt</b>
<b>91+ day debt as at 31/03/18</b>	<b>£3,655k</b>	<b>£2,007</b>
<b>Reduction %</b>	<b>8%</b>	<b>15%</b>
<b>Reduction value</b>	<b>£286k</b>	<b>£298k</b>
<b>91+ day debt Target 31/03/19</b>	<b>£3,369k</b>	<b>£1,709k</b>

- c) **To note the revised collections strategy**
- d) **Agree that a further update will be provided in March 2019**

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
Name:	<b>Bob Outram</b>	Names:	Councillor Shellens
Post:	Head of Debt & Income	Post:	Chairman
Email:	<a href="mailto:routram@northamptonshire.gov.uk">routram@northamptonshire.gov.uk</a>	Email:	
Tel:	07881 035415	Tel:	

## 1 BACKGROUND

- 1.1 Members noted that Cambridgeshire County Council (CCC) needed to lower the level of operational debt outstanding and agreed reduction targets for the 2018/19 financial year.
- 1.2 This report is also being presented to the General Purpose Committee meeting on 20<sup>th</sup> September 2018 and sets out the current position, the actions being taken to reduce debt and make recommendations to the Committee to manage the position further.

## 2 STRATEGIC IMPROVEMENTS

- 2.1 Over the last 6 months there have been 3 significant changes to facilitate improvement in the management of CCC's income collection as listed below:
  - 2.1.1 The transition to the new ERP Gold system in April 2017 changed this key platform to a modern fully integrated operating system. For debt management the increased automation and better reporting means that overdue income can be pursued quicker and more effectively.
  - 2.1.2 Previously, the Debt & Income service was just one of several responsibilities of the Head of Finance Operations. To improve the strategic focus of this essential service, a new Head of Debt & Income role was created and an experienced senior manager recruited with a successful track record of reducing Local Authority debts.
  - 2.1.3 In March 2018, a staffing restructure separated debt management into single Local Authority debt teams. Previously, a multi-partner debt team managed both the CCC and Northamptonshire County Council (NCC) income collection. Whilst this is effective for many of the services provided by LGSS, debt management needs dedicated single focus debt teams operating in the respective locality. The restructure also allowed LGSS to increase the staffing resource on the CCC debt team by the inclusion of an additional senior debt officer dealing with complex cases, probates and home visits to adult social care customers.

## 3 DEBT REDUCTION TARGETS

- 3.1 The targets agreed at GPC last September were for the following debt reductions for 2018/19 against a 31 March 2018 baseline as tabled below:

Aged Debt	Adult Social Care	All other Sundry Debt
1-90 days	3%	3%
91 – 360 days #	5%	5%
360+ days #	7%	7%

# excludes payment plan and secured debts

- 3.2 This was the first review of debt targets since 2008 and enabled Adult Social Care debts to be separately targeted and reviewed. Many service users do not consider the Council as a priority debt and for Adult Social Care whether the charges should be repaid at all.
- 3.3 The table below shows the closing debt balances as at 31/03/18 and the level of debt reduction targeted for 2018/19 based on the percentage reductions agreed by the GPC last September.

	Debt as at 31/03/18		Target reduction 2018/19	
Age of Debt	Adult Social Care	Sundry Debt	Adult Social Care	Sundry Debt
	£m	£m	£m	£m
1-90 days	2.375	6.488	(0.071)	(0.195)
91-365 days #	2.041	1.860	(0.102)	(0.093)
365+ days #	1.614	0.147	(0.113)	(0.010)
<b>Total</b>	<b>6.030</b>	<b>8.496</b>	<b>(0.286)</b>	<b>(0.298)</b>

# excludes payment plan and secured debts

- 3.4 In the first four months of 2018/19 there was some disruption to billing as the system migration took place and staff settled in to using the new functionality. The timing of when high value invoices are billed has an impact on the debt outstanding at any one particular time. At the end of July 2018, there's a notable rise in the recently billed Adult Social Care debt which at £7.143m appears to be a big increase compared to the end of March 2018. However, this is due to the fluctuations of billing, with £6.3m being less than 30 days old including a single NHS invoice for £4.6m that should be resolved well before it would become an aged debt. The table listed below shows the year on year comparison.

	Debt as at 31/07/17		Debt as at 31/07/18	
Age of Debt	Adult Social Care	Sundry Debt	Adult Social Care	Sundry Debt
	£m	£m	£m	£m
1-90 days	1.835	2.095	7.143	3.131
91-365 days #	3.607	6.165	2.377	3.513
365+ days #	1.470	0.832	1.594	0.288
<b>Total</b>	<b>6.912</b>	<b>9.092</b>	<b>11.115</b>	<b>6.933</b>

# excludes payment plan and secured debts

- 3.5 Aged debt varies throughout the year as invoices progress through the debt process to collection or write-off. Debt less than 90 days old is either in the early stages of being pursued or if very recently billed, may not have been issued with the first reminder notice.
- 3.6 It is therefore proposed that the 2018/19 debt reduction targets are simplified so that the whole £0.584m reduction in debt applies only to debt aged over 90 days old (£0.286m for Adult Social Care and £0.298m for Sundry Debts). This removes the vagaries of billing whilst maintaining the agreed value of debt reduction. The proposed targets and value of debt reduction for 2018/19 (i.e. to be achieved by 31/03/19) are tabled below:

	Adult Social Care	All other Sundry Debt
<b>91+ day debt as at 31/03/18</b>	<b>£3,655k</b>	<b>£2,007</b>
<b>Reduction %</b>	<b>8%</b>	<b>15%</b>
<b>Reduction value</b>	<b>£286k</b>	<b>£298k</b>
<b>91+ day debt Target 31/03/19</b>	<b>£3,369k</b>	<b>£1,709k</b>

# excludes payment plan and secured debts

- 3.7 The graph attached as Appendix 1 shows the Adult Social Care debt aged over 90 days old for 2018/19 compared to the whole of the previous year. This shows that the level of outstanding debt is £1m lower than at the same time last year.

## **4 BENCHMARKING**

- 4.1 In the Committee report last September, reference was made to the annual CIPFA debtors benchmarking club draft report showing that the level of CCC's debts compared well across the 27 Local Authorities that took part. The 2018 CIPFA benchmarking report is not yet available but when received it will enable a more up to date comparison to be reviewed.

## **5 COLLECTION STRATEGY**

- 5.1 The Collections Strategy for CCC income management was revised in April 2018 to incorporate the transition to the new ERP system and includes the following key items:
- 5.1.1 Achieving the optimum balance between sensitivity when dealing with vulnerable customers whilst being fair and firm in our resolve to collect overdue income from across the whole customer base. There is a new reference as to how we determine which customers are the 'Can't Pays' as opposed to the 'Won't Pays'.
- 5.1.2 The new ERP system issues automated debt recovery notices that escalate in tone from an initial reminder to a final demand to a formal letter before legal action.
- 5.1.3 The Debt Recovery Strategy details the 4 main options for consideration following the automated suite of debt recovery notices. Customer and case specific, these are:
- Collaborative interaction with service providers and receivers of Adult Social Care that may require a customer home visit.
  - Referral to external collection agencies.
  - Commencement of Legal action.
  - Cancellation of unsubstantiated debts and preparation of write-offs.
- 5.1.4 Management reporting is on a monthly basis and includes:
- Aged debt by Directorate for all Services.
  - Performance report against year-end targets.
  - Adult Social Care detailed report.
- 5.1.5 Irrecoverable debts are written-off in accordance with the delegated authority and financial regulations as to when such debts are considered irrecoverable.

## **6 ACTIONS BEING TAKEN TO REDUCE DEBT**

- 6.1 Listed below are the actions being taken to reduce debt:
- Formalised a dedicated CCC only debt team based at Cambridge
  - Increased the number of staff by the addition of another Senior Debt Officer
  - Reducing reliance on agency temps by recruiting more permanent staff
  - Increased automation of payment reminder notices via the new ERP system
  - Issued over 4,000 debt notices chasing £17m in the first 4 months
  - Increased focus on outbound calling to chase overdue payments
  - Reviewing the use of external agencies and effectiveness of litigation
  - Encouraging services to being paid in advance where possible so that retrospective invoicing and chasing overdue debt is no longer needed



## 7. ALIGNMENT WITH CORPORATE PRIORITIES

### 7.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

### 7.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

### 7.3 Supporting and protecting vulnerable people

There are no significant implications for this priority

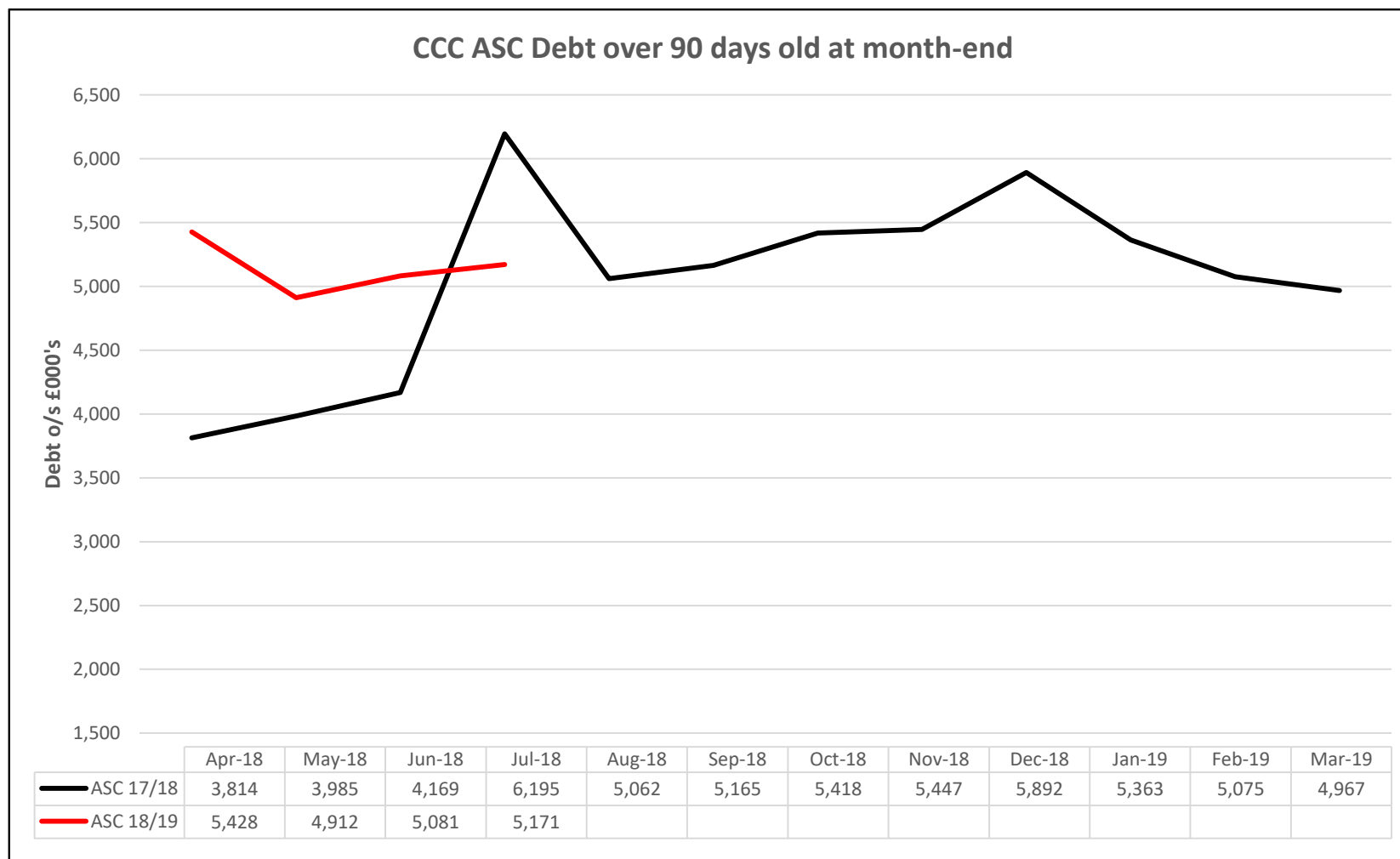
## 8. SIGNIFICANT IMPLICATIONS

*There are no significant implications within this category.*

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	<b>Yes</b> Name of Financial Officer: <b>Chris Malyon</b>
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not Applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not Applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not Applicable
Have any engagement and communication implications been cleared by Communications?	Not Applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not Applicable
Have any Public Health implications been cleared by Public Health	Not Applicable

### SOURCE DOCUMENTS GUIDANCE

Source Documents	Location
Level of Outstanding Debt Report to General Purpose Committee – September 2017	<a href="https://cmis.cambridgeshire.gov.uk/ccs_live/Committees.aspx">https://cmis.cambridgeshire.gov.uk/ccs_live/Committees.aspx</a>



NB: Shows all outstanding debt including payment plan and secured

**INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING  
31<sup>ST</sup> JULY 2018**

**To:** Audit & Accounts Committee

**Date:** 20 September 2018

**From:** Chief Finance Officer

**Electoral division(s):** All

**Forward Plan ref:** N/A **Key decision:** Yes

**Purpose:** To present financial and performance information to assess progress in delivering the Council's Business Plan.

**Recommendations:** The committee is asked to note the following recommendations to General Purposes Committee on 20<sup>th</sup> September 2018:

- a) Note the additional section 106 funding received as set out in section 6.8.
- b) Approve the allocation of the increased £112.7k Extended Rights to Free School Travel Grant to People and Communities so that it can be used for its intended purpose, as set out in section 7.2;
- c) Note the open purchase order reconciliation issue and the accounting entries required to correct the treatment, as previously recommended in the June 18 report, as set out in Appendix 3;
- d) Approve the -£18.8m revised phasing of funding relating to changes in the capital programme variations budget, as previously recommended in the June 18 report, as set out in Appendix 3;
- e) Approve the -£7.2m rephasing of P&C's capital funding for the St. Neots Wintringham Park scheme, as previously recommended in the June 18 report, as set out in Appendix 3;

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
Name:	Tom Kelly	Names:	Councillors Count & Hickford
Post:	Head of Finance	Post:	Chair/Vice-Chair
Email:	<a href="mailto:Tom.Kelly@cambridgeshire.gov.uk">Tom.Kelly@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> <a href="mailto:Roger.Hickford@cambridgeshire.gov.uk">Roger.Hickford@cambridgeshire.gov.uk</a>
Tel:	01223 703599	Tel:	01223 706398

## **1. PURPOSE**

- 1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

## **1. OVERVIEW**

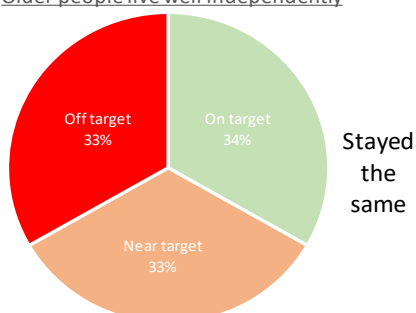
- 2.1 The following summary provides a snapshot of the Authority's performance against its indicators around outcomes, its forecast financial position at year-end and its key activity data for care budgets.

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## Outcomes

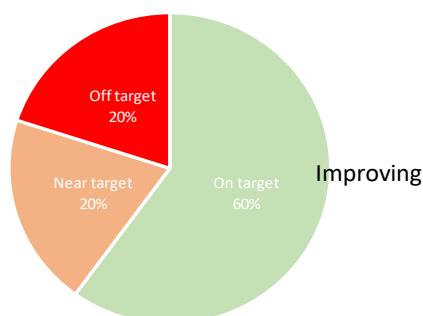
93 indicators about outcomes are monitored by service committees  
They have been grouped by outcome area and their status is shown below

### Older people live well independently



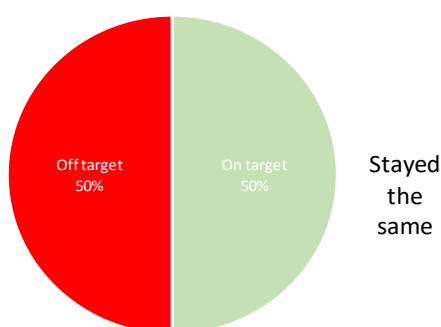
7 indicators, 4 of which do not have targets

### People with disabilities live well independently



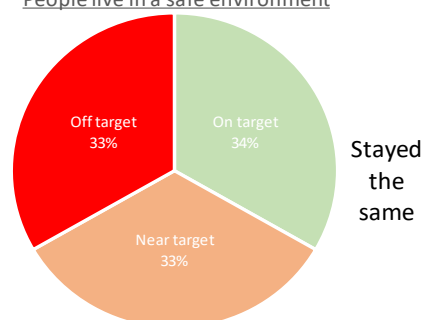
6 indicators, 1 of which does not have a target

### Adults and children are kept safe



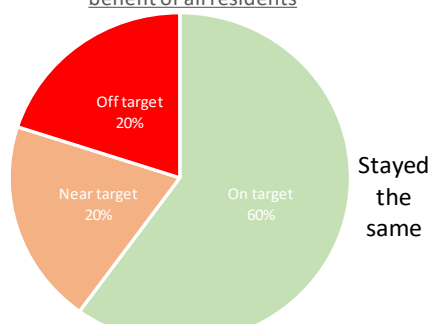
8 indicators, 4 of which do not have targets

### People live in a safe environment



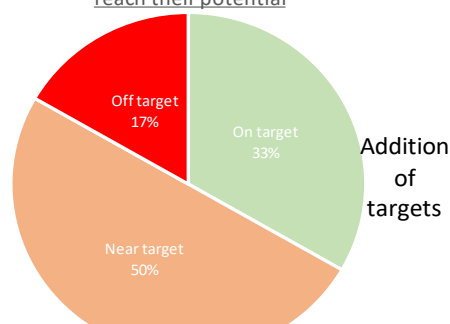
6 indicators, 3 of which do not have targets

### The Cambridgeshire economy prospers to the benefit of all residents



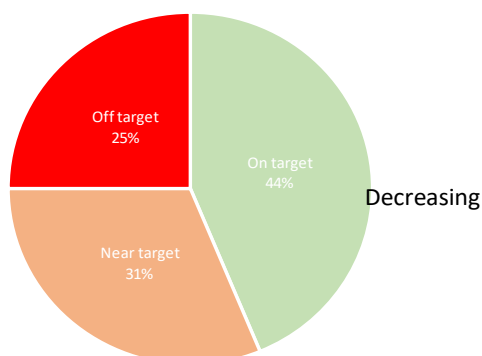
15 indicators, 5 of which do not have targets

### Places that work with children help them to reach their potential



14 indicators, 2 of which do not have targets

### People lead a healthy lifestyle and stay healthy for longer



35 indicators, 3 of which do not have targets

Our Transformation Programme is on track	Sustain a high performing, talented, engaged and resilient workforce
<p>37 Early ideas ↑</p> <p>143 Business cases in development ↑</p> <p>23 Projects being implemented ↔</p> <p>Transformation Fund:</p> <p>12 projects rated Green ↔</p> <p>1 rated Amber (reflecting some need to re-phase savings) ↓</p> <p>5 rated Red (risk of non-delivery of savings or benefits) ↑</p>	<p>As of the end of March 2018* we had lost 6.27 days on average per staff member to sickness during the last 12 months. This is lower than the average number of days lost per staff member at the end of 2016/17 (6.91 days).</p>

\*Due to the recent move to the new HR system, ERP Gold, sickness reporting is not currently available on the system. This is currently being worked on and will be updated when available.

The latest master file of performance indicators is available [here](https://tinyurl.com/ycn8hrqq), <https://tinyurl.com/ycn8hrqq>.

## Finance and Risk

### Revenue budget forecast

+£5.2m (1.5%)  
variance at end of  
year

RED

This is a £1.132m increase  
in the revenue forecast  
pressure since last month.

### Capital programme forecast

£0m (0%) variance  
at end of year

GREEN

Residual risk score	Green	Amber	Red
Number of risks	0	8	2

\*Latest Review: July 2018

## Number of service users supported by key care budgets

### Older people aged 65+ receiving long term services

	Jul-18	Apr-18	Trend since Apr-18
Nursing	425	410	Increasing
Residential	852	847	Stayed the same
Community	1,869	2,023	Decreasing

### Adults aged 18+ receiving long term services

	Jul-18	Apr-18	Trend since Apr-18
Nursing	35	26	Increasing
Residential	348	309	Increasing
Community	2,109	1,933	Increasing

### Children open to social care

	Jul-18	Apr-18	Trend since Apr-18
Looked after children	724	715	Increasing
Child protection	480	483	Stayed the same
Children in need*	2,794	2,225	Increasing

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

## Public Engagement

	Jul-18	Apr-18	Trend since Apr-18
Contact Centre Engagement	13,414 Phone Calls 5,437 Other	12,763 5,316	Increasing Increasing
Website Engagement (cambridgeshire.gov.uk)	176,783 Users 262,417 Sessions	154,319 229,409	Increasing Increasing

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

## 2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end pressure of +£5.2m (+1.5%); an increase of £1.1m on the forecast pressure reported in June; there have been increases in People & Communities (P&C) and Commercial & Investment (C&I). See section 3 for details. There is risk that the position may worsen further given demand pressures and the phasing of savings delivery: as in previous years the Council continues to focus on identifying in-year mitigations to offset this.
- The Capital Programme is forecasting a balanced budget at year end. This includes use of the capital programme variations budget. See section 6 for details.

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### 3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

#### Key to abbreviations

CS Financing – Corporate Services Financing  
DoT – Direction of Travel (up arrow means the position has improved since last month)

Forecast Variance (June) £000	Service	Current Budget for 2018/19 £000	Actual (July) £000	Forecast Variance (July) £000	Forecast Variance (July) %	Overall Status	DoT
0	Place & Economy	41,723	14,495	0	0.0%	Green	↔
3,868	People & Communities	239,944	92,550	4,690	2.0%	Red	↓
0	Public Health	629	-8,739	0	-	Green	↔
-11	Corporate Services	6,655	3,793	171	2.6%	Amber	↓
140	LGSS Managed	11,186	7,671	140	-	Green	↔
3,925	Commercial & Investment	-8,658	1,397	4,163	-	Red	↓
-866	CS Financing	25,983	3,051	-976	-3.8%	Green	↑
<b>7,056</b>	<b>Service Net Spending</b>	<b>317,462</b>	<b>114,218</b>	<b>8,188</b>	<b>2.6%</b>	<b>Red</b>	↓
0	Funding Items	32,705	8,837	0	0.0%	Green	↔
-2,950	Open Order Reconciliation	0	0	-2,950	-	Green	↔
<b>4,106</b>	<b>Subtotal Net Spending</b>	<b>350,167</b>	<b>123,055</b>	<b>5,238</b>	<b>1.5%</b>	<b>Red</b>	↓
<b>Memorandum items:</b>							
-21	LGSS Operational	8,835	136	1	0.0%	Green	↓
<b>4,085</b>	<b>Grand Total Net Spending</b>	<b>359,002</b>	<b>123,191</b>	<b>5,239</b>	<b>1.5%</b>	<b>Red</b>	↓
Schools		198,140					
<b>Total Spending 2018/19</b>		<b>557,142</b>					

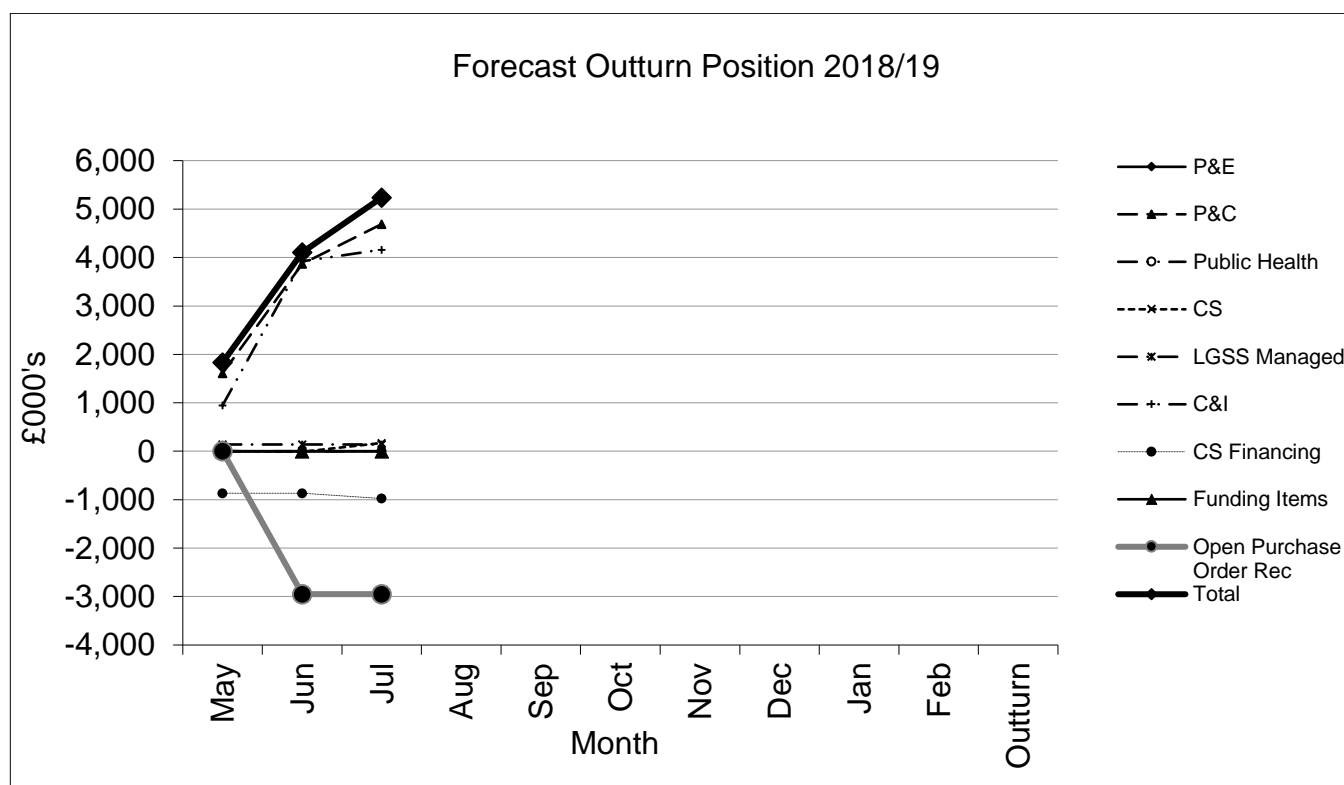
<sup>1</sup> The budget figures in this table are net.

<sup>2</sup> For budget virements between Services throughout the year, please see [Appendix 1](#).

<sup>3</sup> The budget of £629k stated for Public Health is its cash limit. In addition to this, Public Health has a budget of £25.4m from ring-fenced public health grant, which makes up its gross budget.

<sup>4</sup> The 'Funding Items' budget comprises the £22.7m Combined Authority Levy, the £392k Flood Authority Levy and £9.7m change in general and corporate reserves budget requirement. The forecast outturn on this line reflects any variance in the amount received from corporate grants and business rates from what was budgeted; a negative outturn indicates a favourable variance, i.e. more income received than budgeted.





3.2 Key exceptions this month are identified below.

3.2.1 **Place & Economy:** a balanced budget is forecast at year-end. Although not yet identified it is anticipated that savings and underspends will be found within Place & Economy to fund the current projected pressures. There are no exceptions to report this month; for full and previously reported details see the [P&E Finance & Performance Report](https://tinyurl.com/ycqvjb9v), <https://tinyurl.com/ycqvjb9v>.

3.2.2 **People & Communities:** +£4.690m (+2.0%) pressure is forecast at year-end.

	£m	%
<ul style="list-style-type: none"> <li><b>Looked After Children (LAC) Placements</b> – a +£3.0m pressure is forecast, which is an increase of £0.3m on the position previously reported in June 2018. This increase is a result of additional demand, with five additional high cost placements made during the month of July. This position will be closely monitored throughout the year, with subsequent forecasts updated to reflect any change in this position.</li> </ul>		
Overall LAC numbers at the end of July 2018, including placements with in-house foster carers, residential homes and kinship, were 724, 23 more than at the end of June. This includes 74 unaccompanied asylum seeking children (UASC). We are aware that there have been further rises in the number of UASC supported over the summer – with an increased pressure anticipated around this next month. Discussions are also ongoing with the Home Office over expected time scales over confirming UASC status once they turn 18, which impacts on our ability to accurately forecast expected spend. High cost UASC packages are being reviewed in order to reduce costs where possible	+3.000	(+15%)

External placement numbers (excluding UASC but including 16+ and supported accommodation) at the end of July were 375, 6 more than at the end of June. The Access to Resources team are working with providers to ensure that support and cost matches need for all children. Actions being taken to address the forecast pressure are outlined in the [P&C Finance & Performance Report](https://tinyurl.com/ybc6mnp8), <https://tinyurl.com/ybc6mnp8>.

- **Home to School Transport - Special** – a +£0.75m pressure is forecast. This is as a result of increasing demand for Special Educational Needs (SEN) Transport, primarily due to increasing numbers of pupils attending special school and an increase in children with Education Health and Care Plans (EHCPs) requiring transport to other provisions. An increase in complexity of need has meant that more individual transport, and transport including a passenger assist, is needed. Actions being taken to address the forecast pressure are outlined in the [P&C Finance & Performance Report](https://tinyurl.com/ybc6mnp8), <https://tinyurl.com/ybc6mnp8>. +0.750 (+10%)
- For full and previously reported details see the [P&C Finance & Performance Report](https://tinyurl.com/ybc6mnp8), <https://tinyurl.com/ybc6mnp8>.

- 3.2.3 **Public Health:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [PH Finance & Performance Report](https://tinyurl.com/y77dlvyr), <https://tinyurl.com/y77dlvyr>.
- 3.2.4 **Corporate Services:** +£0.171m (+2.6%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.
- 3.2.5 **LGSS Managed:** +£0.140m (+1.2%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.
- 3.2.6 **CS Financing:** -£0.976m (-3.8%) underspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.
- 3.2.7 **Commercial & Investment:** +£4.163m (-%) pressure is forecast. There are no exceptions to report this month; for full and previously reported details see the [C&I Finance & Performance Report](https://tinyurl.com/yahs8olv), <https://tinyurl.com/yahs8olv>.  
(Please note that the C&I report will be available at the link above following the publication of the C&I Committee agenda.)
- 3.2.8 **Open Purchase Order Reconciliation:** -£2.950m underspend is forecast. There are no exceptions to report this month. For the recommendation previously recommended in the June 18 report, see Appendix 3.

- 3.2.9 **LGSS Operational:** +£0.001m (0%) pressure is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#), <https://tinyurl.com/yamu8pzq>.

*Note: exceptions relate to Forecast Outturns that are considered to be in excess of +/- £250k.*

#### 4. KEY ACTIVITY DATA

- 4.1 The latest key activity data for: Looked After Children (LAC); Special Educational Needs (SEN) Placements; Adult Social Care (ASC); Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest [P&C Finance & Performance Report](#) (section 2.5), <https://tinyurl.com/ybc6mnp8>.

#### 5. PERFORMANCE AND RISK

- 5.1 **Change in indicators:** There was one outcome where the overall performance decreased since the previous month. This was 'People lead a healthy lifestyle and stay healthy for longer' and reflects changes in four indicators. One indicator's performance improved; 'Personal Health Trainer Service - Personal Health Plans completed (Extended Service)' changed from red (87% of the YTD, year to date, target) to amber (93% of the YTD target). There were three indicators where performance worsened.

The first, 'Smoking Cessation – four week quitters' changed from amber (92% of YTD target) to red (55% of YTD target). The data included in this report for this indicator reflects April's performance and historically the number of quitters has been low in April. The service is also still experiencing issues with staff capacity and there is an ongoing programme to target performance. The second indicator where performance decreased was 'Number of referrals received for multi factorial risk' which changed from green (121% of YTD target) to amber (97% of YTD target). This decrease in the number of referrals represents the over-achievement in the previous month. The third indicator where performance decreased was 'Number of clients completing their PHP – Falls Prevention' which changed from green (100% of YTD target) to red (82% of target). This reflected a surge in the number of clients completing the programme and a lack of capacity to address the surge. This has now been resolved which should be reflected in next month's performance figures.

Work is underway to agree updated targets with directorates. Targets will be set appropriate to the indicator, and will be based on previous trends and look to maintain or improve the CCC position relative to statistical neighbours and national averages. It is anticipated that these will have been agreed with all directorates by mid-September. For the outcome 'Places that work with children help them to reach their potential' targets have now been set for 12 out of the 14 indicators included under this outcome, meaning the indicators are now RAG rated.

- 5.2 The master file of performance indicators is available [here](#), <https://tinyurl.com/ycn8hrqg>, while the latest Corporate Risk Register can be found [here](#), <https://tinyurl.com/yd96a2vw>.

## 6. CAPITAL PROGRAMME

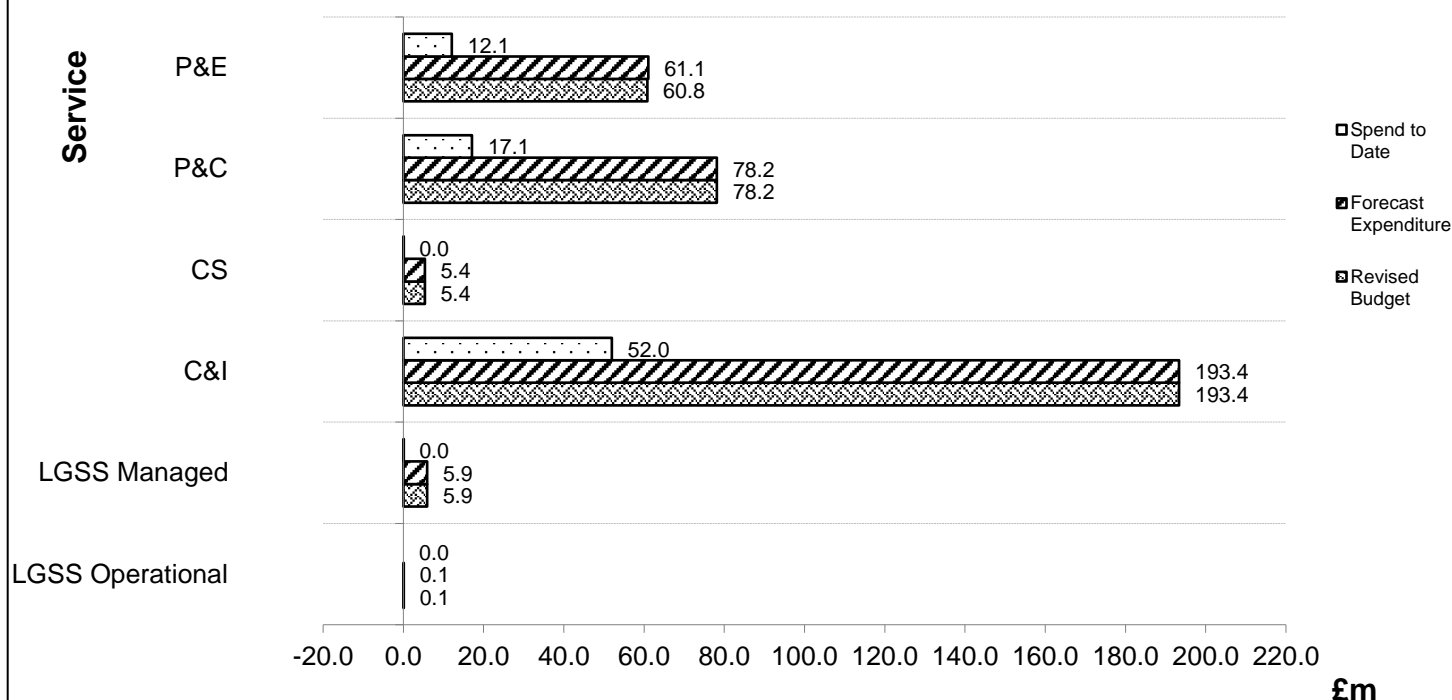
6.1 A summary of capital financial performance by service is shown below:

2018-19							TOTAL SCHEME	
Original 2018/19 Budget as per Business Plan	Forecast Variance - Outturn (June)	Service	Revised Budget for 2018/19	Actual	Forecast Variance - Outturn (July)	Forecast Variance - Outturn (July)	Total Scheme Revised Budget (July)	Total Scheme Forecast Variance (July)
£000	£000		£000	£000	£000	%	£000	£000
35,956	556	P&E	60,782	12,097	286	0.5%	445,241	-
87,820	-0	P&C	78,157	17,123	-0	0.0%	669,433	15,801
2,038	-	CS	5,369	11	-	0.0%	19,437	-
6,415	-	LGSS Managed	5,915	11	-	0.0%	6,865	-
123,274	-	C&I	193,375	51,976	-	0.0%	318,847	-147
-	-	LGSS Operational	134	-	-	0.0%	2,025	-
-	-556	Outturn adjustment	-	-	-286	-	-	-
<b>255,503</b>	<b>-0</b>	<b>Total Spending</b>	<b>343,732</b>	<b>81,218</b>	<b>-0</b>	<b>0.0%</b>	<b>1,461,848</b>	<b>15,654</b>

### Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted. A breakdown of the use of the capital programme variations budget by service is shown in section 6.2.
2. The reported P&E capital figures do not include Greater Cambridge Partnership, which has a budget for 2018/19 of £23.1m and is currently forecasting a balanced budget at year-end
3. The 'Total Scheme Forecast Variance' reflects the forecast variance against budget of the total expenditure for all active capital schemes across all financial years.

### Capital Programme 2018/19



**Note:** The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted.

6.2 A summary of the use of capital programme variations budgets by services is shown below. As forecast underspends are reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when re-phasing exceeds this budget.

2018/19					
Service	Capital Programme Variations Budget	Forecast Variance - Outturn (July)	Capital Programme Variations Budget Used	Capital Programme Variations Budget Used	Revised Forecast Variance - Outturn (July)
	£000	£000	£000	%	£000
P&E	-14,931	286	0	0.00%	286
P&C	-10,469	-3,380	3,380	32.29%	-0
CS	-951	0	0	0.00%	0
LGSS Managed	-1,479	0	0	0.00%	0
C&I Non-Housing	-16,737	0	0	0.00%	0
LGSS Operational	0	0	0	-	0
Outturn adjustment	-	-286	-	-	-286
<b>Subtotal</b>	<b>-44,567</b>	<b>-3,380</b>	<b>3,380</b>	<b>7.59%</b>	<b>-0</b>
C&I Housing	0	0	0	0.00%	0
<b>Total Spending</b>	<b>-44,567</b>	<b>-3,380</b>	<b>3,380</b>	<b>7.59%</b>	<b>-0</b>

- 6.3 The C&I Housing scheme budget does not have a capital programme variations budget associated with it; it is therefore shown as a separate line in the above capital programme variations table.
- 6.4 Although there is a forecast in-year pressure in P&E, it is not currently thought that the position across the whole programme will be a pressure. However, it is not known where any balancing variances will occur, so an adjustment has been made to the outturn.
- 6.5 A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.25m or greater are identified below.

6.5.1 **Place & Economy:** a +£0.3m (+0.5%) in-year pressure is forecast at year-end.

	£m	%
<ul style="list-style-type: none"> <li>• <b>Ely Crossing</b> – an in-year pressure of +£1.1m is forecast. This is due to forecast accelerated spend of £1.1m in 2018/19 rather than in 2019/20; the completion date is likely to be October 2018. This will not affect the total scheme cost.</li> </ul> <p>The benefits of the crossing include:</p> <ul style="list-style-type: none"> <li>• The road will solve long-standing problems and reduce journey times for drivers between A10 and Stuntney Causeway by up to 56%</li> <li>• The railway bridge is currently amongst the most frequently struck rail bridges in the Country and the new bypass will help to relieve these problems</li> <li>• Network Rail will be enabled to close the level crossing and consequently increase train frequencies (the underpass will be available for local traffic)</li> <li>• A new walkway for residents and visitors in the vicinity of a national heritage site. dyke</li> </ul>	+1.1	(+8%)
<ul style="list-style-type: none"> <li>• <b>Libraries</b> – an in-year underspend of -£0.5m is forecast across library schemes. This is due to rephasing on the following schemes which are funded by section 106 developer contributions and will not commence until 2019/10: <ul style="list-style-type: none"> <li>○ New Community Hub / Library Provision Darwin Green: An in-year underspend of £0.3m is forecast.</li> <li>○ New Community Hub / Library Provision Cambourne: An in-year underspend of £0.2m is forecast.</li> </ul> </li> </ul>	-0.5	(-21%)
<ul style="list-style-type: none"> <li>• <b>Huntingdon - West of Town Centre Link Road</b> – an in-year underspend of -£0.8m is forecast. This is due to rephasing of expenditure due to ongoing negotiations in relation to valuations.</li> </ul>	-0.8	(-83%)
<ul style="list-style-type: none"> <li>• For full and previously reported details see the <a href="https://tinyurl.com/ycqvjb9v">P&amp;E Finance &amp; Performance Report, https://tinyurl.com/ycqvjb9v</a>.</li> </ul>		

6.5.2 **People & Communities:** a balanced budget is forecast at year-end.

	£m	%
<ul style="list-style-type: none"> <li>• <b>Basic Need – Secondary</b> – an in-year underspend of -£2.6m is forecast. This is mainly due to rephasing on the following schemes: <ul style="list-style-type: none"> <li>○ Northstowe Secondary &amp; Special has experienced rephasing of £700k in 2018-19 due to a requirement for</li> </ul> </li> </ul>	-2.6	(-7%)



piling foundations on the site, which will lead to an increase in total scheme cost and also extend the build time.

- Cambourne Village College work is not starting on site until February 2019 for a September 2019 completion; the impact being £1,932k repasing.

- **P&C Capital Variation** – as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall. Therefore the net £3.4m underspend is balanced by use of the capital variations budget; this is an increase of £2.5m on the use of variations budget reported last month and relates to the underspend on Basic Need – Secondary schemes as reported above. +3.4 (+32%)
- For full and previously reported details see the [P&C Finance & Performance Report](https://tinyurl.com/ybc6mnp8), <https://tinyurl.com/ybc6mnp8>.

6.5.3 **Corporate Services:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

6.5.4 **LGSS Managed:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full details and previously reported see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

6.5.5 **Commercial & Investment:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [C&I Finance & Performance Report](https://tinyurl.com/yahs8olv), <https://tinyurl.com/yahs8olv>.  
(Please note that the C&I report will be available at the link above following the publication of the C&I Committee agenda.)

6.5.6 **LGSS Operational:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

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

6.6.1 **Place & Economy:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [P&E Finance & Performance Report](https://tinyurl.com/ycqvjb9v), <https://tinyurl.com/ycqvjb9v>.

6.6.2 **People & Communities:** a +£15.8m (+2%) total scheme overspend is forecast. There are no exceptions to report this month; for full and previously reported details see the [P&C Finance & Performance Report](https://tinyurl.com/ybc6mnp8), <https://tinyurl.com/ybc6mnp8>.

6.6.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

6.6.4 **LGSS Managed:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

6.6.5 **Commercial & Investment:** a -£0.1m (-0%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details see the [C&I Finance & Performance Report](https://tinyurl.com/yahs8olv), <https://tinyurl.com/yahs8olv>.

*(Please note that the C&I report will be available at the link above following the publication of the C&I Committee agenda.)*

6.6.6 **LGSS Operational:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](https://tinyurl.com/yamu8pzq), <https://tinyurl.com/yamu8pzq>.

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

Funding Source	B'ness Plan Budget	Rolled Forward Funding <sup>1</sup>	Revised Phasing	Additional/ Reduction in Funding	Revised Budget	Outturn Funding	Funding Variance
	£m	£m	£m	£m	£m	£m	£m
Department for Transport (DfT) Grant	17.5	4.1	-0.4	2.4	23.6	23.6	-
Basic Need Grant	24.9	-	-	-	24.9	24.9	-
Capital Maintenance Grant	4.0	-	0.2	-	4.2	4.2	-
Devolved Formula Capital	1.0	0.7	-	-0.1	1.6	1.6	-
Specific Grants	6.5	4.4	-1.0	-	9.9	9.9	-
S106 Contributions & Community Infrastructure Levy	11.0	3.0	-0.5	-0.6	12.8	12.8	-
Capital Receipts	81.1	-	-	-	81.1	81.1	-
Other Contributions	12.1	-	-3.6	4.6	13.0	13.0	-
Revenue Contributions	-	-	-	-	-	-	-
Prudential Borrowing	97.3	92.3	-31.2	14.0	172.5	172.5	-
<b>TOTAL</b>	<b>255.5</b>	<b>104.5</b>	<b>-36.6</b>	<b>20.3</b>	<b>343.7</b>	<b>343.7</b>	<b>-</b>

<sup>1</sup> Reflects the difference between the anticipated 2017/18 year end position used at the time of building the initial Capital Programme budget, as incorporated within the 2018/19 Business Plan, and the actual 2017/18 year end position.



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

Funding	Service	Amount (£m)	Reason for Change
Addition/Reduction in Funding – Section 106 contributions	P&E	+£0.3	An additional £314k Section 106 funding has been received for Northstowe busway schemes within Major Scheme Development & Delivery.  <b>General Purposes Committee is asked to note this additional funding.</b>

## 7. FUNDING CHANGES

- 7.1 Where there has been a material change in 2018/19 grant allocations to that budgeted in the Business Plan (BP) i.e. +/- £160k, this will require Strategic Management Team (SMT) discussion in order to gain a clear and preferred view of how this additional/shortfall in funding should be treated. The agreed approach for each grant will then be presented to the GPC for approval.

### 7.2 Extended Rights to Free School Travel Grant

The Extended Rights to Free School Travel Grant is an un-ringfenced grant from the Department for Education (DfE) that has been allocated to Local Authorities to allow them to pay for home-to-school travel for children from low-income families who go to school further from home than the statutory walking distances.

In August 2018 the DfE advised of an increase of £112,700 Extended Rights funding for Cambridgeshire County Council. This revised allocation is as a result of increases in free school meal (FSM) numbers and the subsequent potential increase in the numbers of pupils eligible to free home-to-school transport and the associated costs. The DfE has recalculated local authorities' Extended Rights allocations in light of these changes and increased them to cover the potential for increases in the size of the Extended Rights cohort in 2018/19.

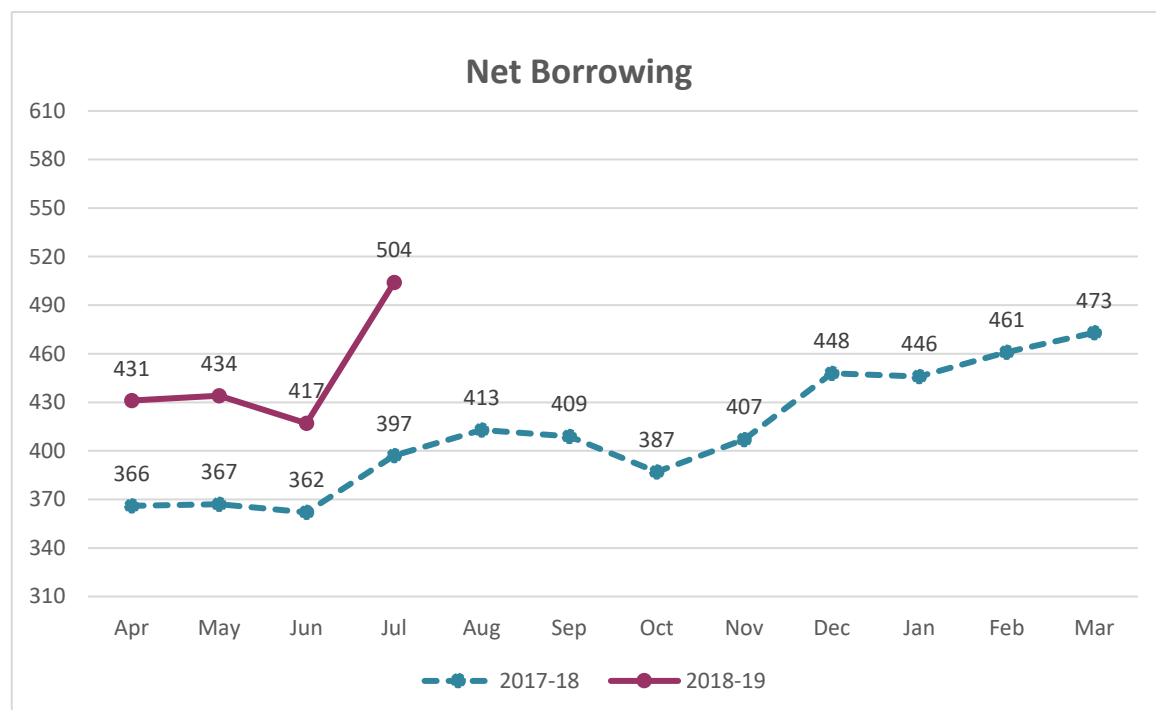
The Extended Rights to Free School Travel Grant is held corporately in the 'Funding items' section of the Council's budget. However, since the increased grant element from DfE relates to increases in the numbers of pupils eligible to free home-to-school transport and the associated costs, General Purposes Committee is asked to approve the allocation of this increased grant element to the P&C directorate where the increased costs are being incurred.

**General Purposes Committee is asked to approve the allocation of the increased £112.7k Extended Rights to Free School Travel Grant to People and Communities so that it can be used for its intended purpose.**

## 8. BALANCE SHEET

8.1 A more detailed analysis of prompt payment and debt management balance sheet health issues will be included once this reporting has been developed following the transition to the new financial system.

8.2 The graph below shows net borrowing (borrowings less investments) on a month by month basis and compares the position with the previous financial year. The levels of investments at the end of July 2018 were £59.15m (excluding 3<sup>rd</sup> party loans) and gross borrowing was £562.78m. Of this gross borrowing, it is estimated that £70.69m relates to borrowing for Invest to Save or Invest to Earn schemes, including loans we have issued to 3<sup>rd</sup> parties in order to receive a financial return.



8.3 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the year. It identifies the expected levels of borrowing and investments based upon the Council's financial position and forecast capital programme. When the 2018-19 TMSS was set in February 2018, it was anticipated that net borrowing would reach £683m at the end of this financial year. Net borrowing at the beginning of this financial year as at 1<sup>st</sup> April 2018 was £473m, this reduced to £431m at the end of April 2018 thus starting at a lower base than originally set out in the TMSS (£683m). This is to be reviewed as the year progresses and more information is gathered to establish the full year final position.

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

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

- 8.6 The Council's cash flow profile varies considerably during the year as payrolls and payment to suppliers are made, and grants and income are received. Cash flow at the beginning of the year is typically stronger than at the end of the year as many grants are received in advance.
- 8.7 Further detail around the Treasury Management activities can be found in the latest [Treasury Management Report](https://tinyurl.com/y9vuz8or) (<https://tinyurl.com/y9vuz8or>).
- 8.8 The Council's reserves include various earmarked reserves (held for specific purposes), as well as provisions (held for potential liabilities) and capital funding. A schedule of the Council's reserves and provisions can be found in [Appendix 2](#).

## **9. ALIGNMENT WITH CORPORATE PRIORITIES**

### **9.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

### **9.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

### **9.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

## **10. SIGNIFICANT IMPLICATIONS**

### **10.1 Resource Implications**

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

### **10.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

### **10.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

### **10.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **10.5 Engagement and Consultation Implications**

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

### **10.6 Localism and Local Member Involvement**

There are no significant implications within this category.

## 10.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	No Name of Legal Officer: Not applicable
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No Name of Legal Officer: Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	No Name of Officer: Not applicable
Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	No Name of Officer: Not applicable
Have any Public Health implications been cleared by Public Health	No Name of Officer: Not applicable

Source Documents	Location
P&E Finance & Performance Report (July 18) P&C Finance & Performance Report (July 18) PH Finance & Performance Report (July 18) CS and LGSS Cambridge Office Finance & Performance Report (July 18) C&I Finance & Performance Report (July 18) Performance Management Report & Corporate Scorecard (July 18) Capital Monitoring Report (July 18)	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge

**APPENDIX 1 – transfers between Services throughout the year** (only virements of £1k and above (total value) are shown below)

	P&C	Public Health	P&E	CS Financing	Corporate Services	LGSS Managed	C&I	LGSS Op	Financing Items
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Cash Limits as per Business Plan	239,124	629	41,428	25,983	7,207	11,126	-8,188	8,871	33,685
Post BP adjustments	208				203	58	-433	-36	
Greater Cambridge Partnership budgets not reported in CCC budget					-863				
Use of earmarked reserves for Community Transport			84						-84
Cleaning contract savings transfer					36		-36		
Organisational structure review	-70				70				
Use of earmarked reserves for Community Transport			211						-211
Funding from General Reserves for Children's services reduced grant income expectation as approved by GPC	295								-295
Funding from General Reserves for New Duties – Leaving Care as approved by GPC	390								-390
<b>Current budget</b>	<b>239,946</b>	<b>629</b>	<b>41,723</b>	<b>25,983</b>	<b>6,654</b>	<b>11,184</b>	<b>-8,657</b>	<b>8,835</b>	<b>32,705</b>
Rounding	2	0	0	0	-1	-1	1	0	0

## APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2018	2018-19		Forecast Balance 31 March 2019	Notes
		Movements in 2018-19	Balance at 31 July 2018		
	£000s	£000s	£000s	£000s	
<b><u>General Reserves</u></b>					
- County Fund Balance	13,392	2,568	15,960	10,721	Service reserve balances transferred to General Fund after review
- Services					
1 P&C	0	0	0	0	
2 P&E	0	0	0	0	
3 CS	0	0	0	0	
4 LGSS Operational	0	0	0	0	
subtotal	13,392	2,568	15,960	10,721	
<b><u>Earmarked</u></b>					
- Specific Reserves					
5 Insurance	3,175	0	3,175	3,175	
subtotal	3,175	0	3,175	3,175	
- Equipment Reserves					
6 P&C	64	0	64	64	
7 P&E	30	0	30	0	
8 CS	30	0	30	3	
9 C&I	680	0	680	0	
subtotal	804	0	804	67	
<b><u>Other Earmarked Funds</u></b>					
10 P&C	514	0	514	514	Includes liquidated damages in respect of the Guided Busway
11 PH	2,567	0	2,567	2,069	
12 P&E	5,382	-294	5,088	4,580	
13 CS	2,628	0	2,628	2,865	
14 LGSS Managed	63	0	63	0	
15 C&I	552	106	658	658	Savings realised through change in MRP policy
16 Transformation Fund	21,877	7,591	29,468	19,841	
17 Innovate & Cultivate Fund	844	-66	778	446	
18 Smoothing Fund	0	3,413	3,413	3,413	
subtotal	34,427	10,750	45,177	34,386	
<b>SUB TOTAL</b>	<b>51,799</b>	<b>13,317</b>	<b>65,117</b>	<b>48,350</b>	
<b><u>Capital Reserves</u></b>					
- Services					
18 P&C	778	0	778	778	Section 106 and Community Infrastructure Levy balances.
19 P&E	10,200	12,417	22,617	1,000	
20 LGSS Managed	0	0	0	0	
21 C&I	0	28,535	28,535	0	
22 Corporate	43,561	13,859	57,420	44,591	
subtotal	54,539	54,811	109,350	46,369	
<b>GRAND TOTAL</b>	<b>106,338</b>	<b>68,129</b>	<b>174,467</b>	<b>94,719</b>	

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Fund Description	Balance at 31 March 2018	2018-19		Forecast Balance 31 March 2019	Notes
		Movements in 2018-19	Balance at 31 July 2018		
	£000s	£000s	£000s	£000s	
<b>- Short Term Provisions</b>					
1 P&E	55	0	55	0	
2 P&C	200	0	200	200	
3 CS	0	0	0	0	
4 LGSS Managed	3,460	0	3,460	3,460	
5 C&I	0	0	0	0	
subtotal	3,715	0	3,715	3,660	
<b>- Long Term Provisions</b>					
6 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
<b>GRAND TOTAL</b>	<b>7,328</b>	<b>0</b>	<b>7,328</b>	<b>7,273</b>	

## APPENDIX 3 – RECOMMENDATIONS FROM JUNE 18 REPORT

The June Integrated Resources and Performance Report included a number of recommendations to General Purposes Committee (GPC) that have not yet received approval, as the last Integrated Resources and Performance Report to be presented at a meeting of GPC was the May report, on 24<sup>th</sup> July 2018.

GPC is asked to approve the recommendations in the June report, which were circulated to the Committee by email.

### June Integrated Resources and Performance Report

One recommendation regarding the open purchase order reconciliation issue and the accounting entries required to correct the treatment, as set out in section 3.2.8:

#### 3.2.8 Open Purchase Order Reconciliation: -£2.950m (-%) underspend is forecast at year-end.

- |  | £m | % |
|--|----|---|
| <ul style="list-style-type: none"> <li>As a result of a review of purchasing system balances, it is possible to credit back to revenue £2.95m of amounts previously recognised as paid but which had in fact been held in suspense.</li> </ul> |    |   |

The process for making payment to suppliers involves several steps, principally,

- a) raising a purchase order for goods and services,
- b) receipting the arrival or delivery of those goods and services, and
- c) the payment being made to the supplier.

There is deliberately a segregation of duties within and between these tasks so that no single staff member can set up, agree, receive and pay a supplier. The design of the Council's previous accounting system, e-Business Suite, permitted a mismatch to arise between amounts raised in purchase order and/or goods receipted and amounts actually paid to suppliers within a 5% tolerance threshold to allow business as usual to run smoothly. In simple terms, amounts ordered and in some cases receipted, exceeded the amounts actually invoiced and paid to suppliers. This can occur when it is not clear in advance what the final cost of works will be, or when authority for goods and services to be ordered is granted (and raised on the system) but not ultimately proceeded with at all or to the same extent, there were also instances of duplicate orders being raised (but not paid). In line with standard accounting practice, the Council has recognised the cost of amounts receipted within services rather than the level of cash actually paid out.

	-3.0	(-%)
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Although the use of payables suspense accounts to manage this process is common and enabled smooth purchasing arrangements, reconciliation processes to prevent amounts held in suspense reaching a material level were not sufficient. A detailed reconciliation process has now been undertaken back to 2006, identifying 10,917 transactions where a mismatch was apparent between the open purchase order and amounts actually paid by



invoice. Alongside the changeover in financial system to ERP Gold, the opportunity has been taken to make the judgment that open orders beyond a certain age can now be closed and credited back where there is a mismatch.

Amounts within the suspense account related to ring-fenced grant funded cost centres have been excluded and do not form part of the credit back to the general fund.

**General Purposes Committee is asked to note this open purchase order reconciliation issue and the accounting entries required to correct the treatment.**

Two recommendations concerning capital funding, found in section 7.8:

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

Funding	Service	Amount (£m)	Reason for Change
Revised Phasing (capital programme variations budgets)	All Services	-£18.8	<p>In 2016/17 the Capital Programme Board recommended that a 'Capital Programme Variations' line be included for each Service, which effectively reduces the capital programme budget. Capital programme variations budgets were included in the 2018/19 Business Plan, but these have been revised for 2018/19 as a result of the rolled forward and revised phasing exercise carried out in May 18.</p> <p><b>General Purposes Committee is asked to approve the -£18.8m revised phasing of funding relating to changes in the capital programme variations budget.</b></p>
Revised Phasing	P&C	-£7.2	<p>The St. Neots Wintringham Park Primary scheme has been rephased resulting in a -£7,150k change to its 2018/19 funding requirement as this project will not start on site until September 2019.</p> <p><b>General Purposes Committee is asked to approve the -£7.2m rephasing of P&amp;C's funding for the St. Neots Wintringham Park scheme.</b></p>



**AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN**

<b>MEETING DATE REPORT DEADLINES AND REPORT TITLES</b>	<b>Frequency of report</b>	<b>Corporate/Service Director /external officer responsible</b>	<b>Report author</b>
<b>COMMITTEE DATE 2.00 P.M. THURSDAY 20<sup>th</sup> SEPTEMBER 2018</b>			
<b>Deadline for reports to be with Democratic Services: Mid-day Friday 7<sup>th</sup> September</b>			
<b>Minute Log Update</b>	Each meeting	Democratic Services	Rob Sanderson
<b>Annual Report of the Audit and Accounts Committee</b> (The timetable is for the Chairman / woman to present this report at the same time as other Service Committee Annual Reports to the Full Council meeting in October)	Annual	LGSS Chief Internal Auditor	Duncan Wilkinson Chief Internal Auditor / Mairead Kelly in consultation with the Chairman / woman
<b>Outstanding Debt – Debt Monitoring Report</b> – To receive the same report that was going forward to the General Purposes Committee  The Audit and Accounts Committee in May requested that Bob Outram attend to be able to answer questions.	One off update to check progress	Chief Finance Officer	T Kelly / Bob Outram
<b>Children’s Social Care Case-loads Update</b>	Quarterly basis	Service Director Enhanced and Preventative Services (Children)	Sarah-Jane Smedmor / Tracey Boyce

<b>Internal Audit Progress Report</b>	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly
<b>Resources and Performance Update Report including Risk Updates</b>	Each Cycle	Chief Finance Officer / Head of Business Intelligence	Tom Kelly / Rebecca Barnes / Tom Barden
<b>Update on Unspent Section 106 Monies</b>	Twice a year (agreed via e-mail)	Deputy Section 151 Officer	T Kelly
<b>Report on Accounts Process and what could be improved</b>	J Lee / Lisa Clampin		
<b>COMMITTEE DATE 2.00 P.M. THURSDAY 22<sup>nd</sup> NOVEMBER 2018</b>			
<b>Deadline for reports to be with Democratic Services: Mid-day Friday 9<sup>th</sup> November</b>			
<b>Revised Whistle Blowing Policy Report</b>  Moved from September due to pressure of other Internal Audit work  (Any changes to the Policy will require to be referred on to Constitution and Ethics Committee)	One off	LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly / Neil Hunter
<b>Progress Update on Music Service Recruitment</b> – This might be by way of an email to the Committee	One off	Head of Music Service	Matthew Gunn
<b>Progress Update on Actions from Transforming Outcomes for Children in Care</b>  Although requested for September the implementation phase had currently had not commenced and therefore a more useful update	Update	Lou Williams	Lou Williams

would be to this meeting when changes would have occurred.			
<b>Integrated Resources and Performance Report</b>	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes
<b>Internal Audit Progress Report</b>	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly
<b>Transformation Fund Update Report</b>	Quarterly	Transformation Manager	Julia Turner
<b>Internal Audit Report on Capital overspends to include a presentation (as agreed at the 22<sup>nd</sup> June Committee meeting)</b>  <i>Note: this has slipped from the September meeting as Internal Audit were still carrying out further due diligence work.</i>		LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update)  <i>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</i>	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit
<b>COMMITTEE DATE 2.00 P.M. THURSDAY 24<sup>th</sup> JANUARY 2019</b>			
<b>Deadline for reports to be with Democratic Services:</b>			

<b>Mid-day Friday 11<sup>TH</sup> January</b>			
Integrated Resources and Performance Report	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes
<b>Internal Audit Progress Report</b> Including Progress of Implementation of Management Actions and Internal Audit Plan Update)  <i>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</i>	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit
<b>COMMITTEE DATE 2.00 P.M. THURSDAY 28<sup>TH</sup> MARCH 2019</b>			
<b>Deadline for reports to be with Democratic Services: Mid-day Friday 15<sup>th</sup> March</b>			
<b>Integrated Resources and Performance Report</b>	Each Cycle - would always be one that had already been through General Purposes Committee	Chief Finance Officer	T Kelly / Rebecca Barnes
<b>Internal Audit Progress Report</b> Including Progress of Implementation of Management Actions and Internal Audit Plan	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson / Mairead Kelly

Update)  <i>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</i>			
<b>Transformation Fund Update Report</b>	Quarterly	Transformation Manager	Julia Turner
<b>Cambridgeshire Council Workforce Strategy</b>  <i>Note: This report will provide for information the finalised document agreed at Council (now expected to go February 2019) and suggest either bi-annual or annual update reports on progress against the Council agreed action plan.</i>		Head of HR	Martin Cox / Lynsey Fulcher
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations including an update on the National Fraud Initiative data matching exercise requested at the May 2017 meeting)  <i>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</i>	Each meeting	LGSS Chief Internal Auditor	Duncan Wilkinson LGSS Head of Internal Audit

## REPORTS TO BE PROGRAMMED ONCE THE NEW MEETING DATES AGREED

Social Care Case-loads – Review of effectiveness of measures agreed at the May 2018 Children’s Committee to be programmed for September 2019 – Author Sarah-Jane Smedmor

Training Plan to be scheduled for July 2019

Safer Recruitment in Schools Update – agreed at the July 2018	At least bi-annual	Senior Education Adviser	Chris Meddle
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meeting that due to the improvements made and the programme of training and follow up checks in place the next appropriate update should be around Easter 2019. With Easter being April, this would be May 2019			
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**A Special Committee meeting will be convened for late October to just receive a progress update report on progress on the Community Transport action plan and additional recommendations from the 31<sup>st</sup> October Special meeting.**

**Update 11<sup>th</sup> September 2018**