AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Date:Tuesday, 20 September 2016

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

Shire Hall
Castle Hill
Cambridge
CB3 0AP

<u>14:00hr</u>

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

AGENDA

Open to Public and Press

ACCOUNTS

OTHER INFORMATION REPORTS

There is a need for an additional extraordinary meeting to be held on 29th September at 10.00 a.m. Note that this will be a morning meeting.

The next scheduled meeting after the above on the Meetings calendar will be on 2.00 p.m. 22nd November.

The Audit and Accounts Committee comprises the following members:

Councillor Michael Shellens (Chairman)

Councillor Barry Chapman Councillor Sandra Crawford Councillor Roger Henson Councillor Peter Hudson Councillor Mac McGuire and Councillor Peter Topping

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

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Agenda Item: 2

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 12th July 2016

Time: 2.00 – 4.40 p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: S Crawford, R Henson, M Shellens, (Chairman) and Peter Topping (Vice Chairman)

Apologies: Councillor: B Chapman, P Hudson and M McGuire

Action

225. DECLARATIONS OF INTEREST - None

226. MINUTES

The minutes of the meeting held on 7th June 2016 were confirmed as a correct record and were signed by the Chairman.

In respect of Minute 213 titled 'Systems in place to ensure that Section 106 Funds do not go unspent' and the resolution reading:

> "That in noting the report it should be placed on record that the unanimous view of the Audit and Accounts Committee was to recommend that where Section 106 monies could not be applied against relevant expenditure by the deadline in the agreement, the County Council should ensure the developer was informed in due course"

The Chairman enquired that how this would be actioned and whether a recommendation needed to go to another Committee. The advice provided to Democratic Services from Finance was that the relevant officers dealing with Section 106 agreements would have been informed of the recommendation and would be actioning the request, and therefore a reference was not required. The Chairman was not satisfied with this explanation and requested that evidence was provided that officers had been notified and were actioning the Committee's request. **Action**

S Hey-wood to provide Cllr Shellens with an update

227. WORKFORCE STRATEGY

This report provided a further update on the progress to develop a Workforce Strategy.

Previously the Committee were informed of a General Purposes Committee workshop to take place to engage on the future direction of the Council and its workforce implications, including discussion on the Corporate Capacity Review Project and planning a Workforce Strategy. As an update the report explained that the proposed Employee Engagement Programme (EEP) had been positively received and the consultation was due to take place in September / October 2016. The transformation agenda and the outcomes from the EEP would help form the key elements of a Workforce Plan and Strategy which was to be finalised during Quarter 3 of the current financial year.

As the EEP was to take place in September / October, it was agreed that the Committee should receive a further update report on the development of a Workforce Strategy at this Committee's November meeting.

The Committee Chairman expressed his interest in being provided with more information on trends on recruitment outside of the meeting and whether there was evidence to show that for high volume posts such as social workers and support staff, there had been a reduction in the number of applications for posts over a period, as a result of a perceived negative view of Local Government as a desirable place to work. He would liaise with officers outside of the meeting to confirm what he was seeking. Action **Chair-man to liaise with Janet Maulder**

The update report was noted.

228. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND – PLANNING REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT FOR THE YEAR ENDING 31ST MARCH 2016 FROM EXTERNAL AUDITORS BDO

The report highlighted and explained the key issues which BDO believed to be relevant to the audit of the financial statements of the Pension Fund for the year ending 31st March 2016.

Comments included:

- Page 7 - In the risks the Chairman commented that a risk was also future Government intentions, especially with a new Chancellor of the Exchequer.

- **Page 9 – Fair Value of Investments (Cambridgeshire and Counties Bank) –**the Chairman queried how the External Auditors would ensure the accuracy of unquoted investments in the Bank. **He asked for more detail regarding the text reading "The investment in the bank is unquoted and is valued by an external valuer appointed to the Fund" and whether there were external market comparators. Action: e-mail clarification outside of meeting** **B Pryke**

- **Page 11 Investment Management Expenses** – Regarding CIPFA guidance on presenting a clear, combined figure for charges in the fund accounts, it was clarified by Richard Perry (Pension Services Financial Manager LGSS - Pensions Investments) that it had not been mandatory for the 2015-16 accounts. T**he intention was to obtain the 2015-16 data for use as a comparator for implementation in next years accounts.**

There was a request that note on page 11 should be updated to reflect the proposed treatment. **B Pryke**

- Page 14 Fees – The Chairman asked how confident the Pensions Fund were of meeting the key dates referred to in order that additional, higher fees were not incurred. Richard Perry indicated that target dates had so far been met and Barry Pryke confirmed the draft working papers had been provided. Issues from the previous year might require further work, but currently he was not aware of any particular issues.

The report was noted.

CHANGE TO THE ORDER OF THE AGENDA

With the agreement of the Committee the Chairman requested that the Draft Statement of Accounts (item 11 on the published agenda) should be taken as the next item of business.

229. DRAFT STATEMENT OF ACCOUNTS

This report presented the unaudited 'Draft Statement of Accounts' for the Committee to review and comment on.

Comments on the narrative section

As a general point the Chairman indicated that the length of the document should be reviewed by officers to take out repetition and narrative text that was not required to support the accounts.

Page 6 – it was suggested making reference to roads and bridges would make the text more intelligible to the public **I Jenkins**

Page 7 it was suggested that there was too much detail in the first paragraph and suggested some of text could be in shown in the notes. The reference to 'May' should include the year. **I Jenkins**

Page 8 queried use of the word "revised" and whether "adjusted" was a more appropriate word. **I Jenkins**

Page 10 Reserves – Background note for Chairman requested on comparative figures of other Counties. **I Jenkins**

Page 11 – commented the that use of floating column chart was challenging to read. **I Jenkins**

Page 13 - Littleport Community College – requested the text be edited. Word 'collocating' should be reviewed. **I Jenkins**

Page 15 – requested that the bullets under Cambridge City Deal should be checked in terms of the order shown. **I Jenkins**

Page 17 - assistive technology reference required explanation **I Jenkins**

On the Financial Statements pages comments / clarifications given included:

Page 24 - Movement in Reserves Statement – error highlighted requiring correction reading 'Transfers **from** earmarked reserves (note 8) should read 'Transfers **to** …..' **I Jenkins**

Page 25 - Comprehensive Income and Expenditure Statement – queried why had the line Central Services to the Public increased from £2m in 2014-15 to around £8m in 2015-16. In response it was explained that it included revenue expenditure for capital spend on Superfast Broadband of over £6m

Page 25 - **Change of £80m from 2014-15 to 2015-16 on Education and Children's Services Line** - **The Vice Chairman suggested that this should have an explanatory note provided.** **I Jenkins**

Page 26 - Long Term Liabilities there was a missing figure - required a note of explanation on what they included. **I Jenkins**

Page 31 - Property, Plant and Equipment – Last paragraph on the page under the heading 'Measurement' – making reference to valuations, required updating to the text. **I Jenkins**

Page 33 - Under Heading "Application of Fair Values Hierarchy" and the third paragraph reading "**In estimating the fair value of the Council's investment and surplus properties, the highest and best use is their current use. Since the date of valuations, the Council has no information of any material change in value and therefore the valuations have not been updated" The Chairman queried whether the EU referendum should be considered a material change and asked officers to look at this wording again.** **I Jenkins**

page 34 – Second bullet - the Chairman queried whether the wording reading 'Vehicles Plant Furniture and equipment (all of these only related to PFI Schemes' was correct, as it appeared to be suggesting that the County Council did not have any vehicles other than those in Private Finance Initiative (PFI) schemes. In response it was confirmed that only vehicles, plant, furniture and equipment in respect of PFI schemes was capitalised on the Council's balance sheet, in line with the accounting policy. **It was suggested that the wording needed to be looked at again, as if only a subset was being shown, this required to be made clear.** **I Jenkins**

Page 35 – Non- Current Assets held for sale

The Chairman had a concern regarding whether some of these could be heritage assets, citing an example of a work of art in Northampton that had been sold amidst some controversy.

Page 37 – **Investment Properties** - The Chairman requested clarification of what these were and where they were shown on the balance sheet. **It was explained that this was Castle Court and that there were no other investment properties on the balance sheet. It was requested that a note to this affect should be added. Action**	**I Jenkins**
Page 38 – the continuing text from page 37 on what was the first paragraph at the top of the page required clarification / re-writing as the Chairman did not understand what it was saying. **Action: The officers undertook to provide an explanatory note.**	**I Jenkins**
Page 42 - Finance leases - 3rd para reading "however in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period" A question raised was what would happen if the Academy sold the school site. In response it was explained that this would require its accounting treatment to be re-assessed. **The Chairman asked the officer to consider whether a note was needed.**	**I Jenkins**
Page 42 - In a further question a Member asked if there were any clauses on the transfer of schools to academies to prevent them selling the assets. The officer indicated he would respond in an e-mail outside of the meeting.	**I Jenkins**
page 48 - Value Added Tax second line reading "…and all VAT paid is recoverable…" **following a query on whether the Council paid any VAT and on being told it does on services it provides, there was a request to consider whether a clarification note was required**	**I Jenkins**
Page 50 - final sentence in first para reading "The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure statement and financed as Revenue Expenditure Funded as Capital Under Statute" **required to be re-written to provide greater clarity.**	**I Jenkins**
On same page (50) the right hand text in the box under the heading 'Effect if Actual Results Differ from Assumptions' to be re-written to explain how the Council assets increase was calculated.	**I Jenkins**
Page 53 – to consider whether the note under the title 'Schools converting to Academy status ' was required	**I Jenkins**
Page 57 under 9 'Operating Expenditure' in answer to a request on what the two lines represented, it was explained that the line 'Losses on the disposal of non-current assets' included academies while 'Levies' included amounts paid to the Environment Agency for flood defences.	
Page 60 In the first para under Capital Commitments - whether the rounding up should be £67m rather than £68m	**I Jenkins**
Page 62 second para first line reading ' ….the chains of office of the Chairman…" should have after it the words " / chairwoman"	**I Jenkins**

Page 63 – 15 Financial Statements line reading 'Receivables' - the Chairman asked what the definition of non-receivables was and whether Private Finance Initiative (PFI) credits should be included. It was explained that PFI Credits were not classed as Long term receivables in terms of the Accounts. **The Chairman asked to be informed where PFI credits were included in the Accounts.**	**I Jenkins**
Page 65 – in response to a question it was explained that the missing numbers in the table in the notes were both zero. **It was suggested the table was not needed.**	**I Jenkins**
Page 67 – 17. Investment Properties – query on why there was no figure in 2014-15.	**I Jenkins**
Page 69 – first entry in table - reference to rack rents – agreed this wording should be changed to a more recognisable description and whether all the descriptions were required.	**I Jenkins**
Page 70 – 71 in reply to a question on why some short term receivables and the cash overdraft had changed so much between the two dates at the beginning and the end of the year the explanation was that the amount of cash fluctuated within the year depending what grants had been received and when payments had been made.	
Page 70 – With reference to the provision of £1m to assist the implementation of the operating model, more details on what the monies could be spent on to be provided outside of the meeting.	**I Jenkins**
page 76 – heading needed at top of table.	**I Jenkins**
Page 76 - Financial Instruments Adjustment Account – query regarding figures being the same on the two text lines.	**I Jenkins**
Page 77 – Pensions Reserve – the Chairman requested more detail in respect of the swings shown. It was explained that what was shown in the Accounts was the County Council's element of the Pension Fund. All figures on the pension reserve and pensions liabilities came from the Actuary, with a full revaluation undertaken every three years. The particular accounts for 2015 was not the year when the full tri-annual review had taken place. On being provided with a brief explanation on the various assumptions made by the Actuary, **the Chairman requested a more detailed note outside of the meeting on what factors the actuary had used to arrive at the final discount rate figure.**	**R Perry**
Page 80 second entry – an explanation was requested on the second line in the first table reading "amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis". It was explained the wording "not reported" takes account of all technical adjustments that had been made and not reported in the monthly accounts.	

Page 83 - **Grafham Water Centre - with respect to the £49k deficit** shown and the Chairman asking what measures would be taken to address it, it was explained that expenditure would need to be reduced. **There was a request for Keith Grimwade to provide the details at the September Committee.**	**RVS to contact K Grim-wade**
Page 90 Capital Grants – receipts in advance – with regard to discussion on Community Infrastructure Levies (CIL), it was confirmed that CIL money received from districts was for specific projects and that if the money was not spent, it went back to the District and not the developer. On the definitions it was explained that a short terms CIL was a project within 12 months, with a longer CIL being projects over 12 months.	
Page 93 sub-totals required in table	**I Jenkins**
Page 97 **Street Lighting PFI** – The Chairman suggested that the text reading "….with the cost of the maintenance being funded from the Council's revenue allocations…" was inaccurate and **another word should be found to replace the word "maintenance"**	**I Jenkins**
in reply to a question on where the £4m grant was shown, reference was made to the grants table in the notes on page 89 showing a figure of £3,994m	
Page 101 - The Chairman queried whether the text from and including the text in bullet point two down to the next title reading 'Discretionary post-retirement benefits' could be deleted. Officers agreed to look at this further.	**I Jenkins**
Page 102 – Title of table 'LGPS' to be put in full and consideration given to the presentation of the figures being made clearer.	**I Jenkins**
Page 108 – Property Searches – Request for an explanatory note to be produced.	**I Jenkins**
Page 109 – Text in 4th paragraph from the bottom of the page reading "The Authority's maximum exposure to credit risk in relation to investments of £10.1 million cannot be assessed generally…… " **More explanation required. |**	**I Jenkins**
Page 110 – PWLB to be spelt out in full.	**I Jenkins**
On outstanding invoices, while the figure for those less than three months had improved substantially from the previous year, there was a request for more detail to be provided, accepting that some would be very small amounts.	**S Hey-wood**
Page 111 LOBO to be spelt in full.	**I**

Jenkins

PENSION FUND

Page 119 – There was a discussion on the reasons for the market value of investments changing, including the turmoil in the equity markets over the 12 month period of the Accounts, with contributory factors such as the down turn of the Chinese economy and the fact that as fund managers had followed the markets, they had performed worse against the global benchmark.

Page 127 - Limited Partnerships – There was a request for an explanation of the text "Fair value based on the net asset value ascertained from periodic valuations provided by those controlling the partnerships' with the Chairman making reference to the text at the bottom of page 141 going on to page 142 which included acronyms IFRS and US GAAP which made it incomprehensible to the Chairman and to members of the public. As a response it was explained that investment manager returns were annually audited by external specialist auditors to ascertain their value. These were carried out in accordance with a considerable amount of regulation / international standards to ensure an accurate picture of performance on investments, which was relied on to be included in the accounts. While during the accounting period all managers had performed worse than the global benchmark as a result of following the markets, an oral update for the end of June, indicated that the fund assets had not generally changed, which was as a result of global investments undertaken and was also helped by currency weaknesses.

Page 130 – under the paragraph headed Private Equity and infrastructure assets' in the right hand column in the first sentence the figure required to be corrected from £177.9m to £164.4m. **R Perry**

Page 130 – Under the text on Cambridge and Counties Bank, it was suggested that there was a word missing in the second from last line in the left hand column. Action. **R Perry**

Page 135 – as the figures in the table did not add up across the mid-table and there were blank areas, the Chairman queried the layout. It was explained this was a CIPFA requirement for the Accounts. **Action: It was agreed that another line with a heading would be added and if necessary some explanatory text included.** **R Perry**

A query was raised regarding different investment asset values on page 120 (£212,688) page 136 and page 137 (£2,243,611)

Action: An explanatory note was required and it was agreed that a sub-heading should be put under the figure of £1,006k on page 120 and elsewhere where clarity was needed. **R Perry**

Page 144 – Queried in the para titled - **Other Price Risk – sensitivity analysis whether the date in the third line reading** "the following movements in market price risk are reasonably possible for the 2015-16 reporting period should be “2016-17 reporting period”. It was explained that this looked at historical fluctuations which was why it referred to 2015/16. **Action: The Chairman asked that the word “possible” should be reviewed for accuracy.** **R Perry**

Page 149 query on discrepancies between the figures in the table between 2016 and 2015. It was explained that this reflected the cycle of funds during the year in respect of holding cash.

Page 152 c) Family details – query on whether the reference to marriages included civil partnerships. **Action: There was a request to ask the Actuary to tighten up the wording.** **R Perry**

Page 155 - Under 27 titled ‘Contingent Liabilities and Contractual Commitments’ explanation was sought on the paragraph reading “These commitments …….. It was explained that although the Fund has legally binding commitments to invest agreed maximum values in each private equity and infrastructure fund, the investment managers typically request (or “call for) cash from the Fund as and when they have identified specific projects that require funding. The outstanding commitments represented committed money that had not yet been “called” and was cash that would have to be paid in the future as contracted.

The report was noted.

230. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND – PLANNING LETTER 2016-17

This report set out BDO’s proposed fees and programme of works for the 2016-17 Financial Year, with the fee being based on the work required under the Code of Practice issued by the National Audit Office. The fees being charged were the same for as for 2015-16.

It was indicated that if BDO needed to propose any amendments to the fees during the course of the Audit, these would first be discussed with the Chief Finance Officer. Where a variation to the scale fee was required, approval would be sought from the Public Sector Audit Appointments Limited (PSAA) responsible for the scale fees for local authorities. As this Committee would require the information, a report to the Audit and Accounts Committee for discussion, outlining the reasons why the fee needed to be changed should be presented..

The report was noted.

231. CODE OF CORPORATE GOVERNANCE – UPDATED DOCUMENT

This report sought re-approval of the Code of Corporate Governance which was required to be reviewed on an annual basis to ensure it continued to comply with guidance issued by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives.

Internal Audit's role was to annually review the Code and make relevant changes. It was reported that following the most recent review no changes had been required.

The Committee's attention was drawn to CIPFA / SOLACE guidance on governance having been updated in April 2016, with the new guidance applying to annual governance statements prepared for the financial year 2016-17 onwards. To comply with this a report would be brought back to Committee reflecting this new guidance later in the year.

It was resolved;

To approve the updated Code of Corporate Governance.

232. CAMBRIDGESHIRE LIBRARY ENTERPRISE CENTRE REVIEW - UPDATE ON ACTION PLAN PROGRESS TO DATE

The Committee received the latest report on the progress to date with implementing the recommendations set out in the Cambridge Library Enterprise Centre Review Action Plan. It was highlighted that while there were still some outstanding actions, each one of them would now be taken forward as part of the Corporate Capacity Review. As a result, it was recommended that it was no longer necessary to receive a report at each meeting.

It was resolved:

a) to note on the progress being made against the Cambridge Library Enterprise Centre Review Action Plan

b) to receive the next update report at the January 2017 committee meeting. **M Kelly**

233. INTERNAL AUDIT PROGRESS REPORT TO 31ST MAY 2016

This report, introduced by Duncan Wilkinson the LGSS Internal Head of Audit, provided an update on the main areas of audit coverage for the first quarter period 1st March 2016 to 31st May 2016 and the key control issues arising.

Paragraph 2.1 listed the audit assignments which had reached completion since the previous Committee report, with summaries of the finalised reports with moderate or less assurance provided in Section 6 and Table 2 listing those assignments which had reached draft report stage. (Appendix A of the Minutes provides the list of completed assignments).

Section 3 updated details of fraud and corruption work undertaken;

- Paragraph 3.1 detailed the results of the recent Proceeds of Crime hearing, where the former Children's Workforce Development Manager, having pleaded guilty to the charges against her, had been ordered to repay £23,514.14 to the County

Council within three months and had received a 12 month sentence suspended for eighteen n months and ordered to complete 200 unpaid work during the period.

- Paragraph 3.2 under the heading 'Counter Fraud Policies And Awareness' explained that Counter Fraud policies, including the Anti-Fraud and Corruption Policy and the Anti-Money Laundering Policy were being reviewed by the LGSS Internal Audit Counter Fraud Team, who with the CIPFA Counter Fraud Centre were working to develop a campaign to raise awareness of the policies and the issue of fraud. This work also included a refresh of the Council's current Fraud Awareness Whistle Blowing posters, to be re-launched over the summer, with an update to be provided at the September Committee meeting.

- Paragraph 3.3 - 'Cyber Crime' - highlighted that the LGSS Internal Audit Counter Fraud Team had met with the lead officer for the Cyber Crime Unit within the East of England Special Operations Unit which should ensure better responses to any cyber crime incidents within Cambridgeshire. In addition, the team were seeking to establish closer working relationships with Cambridgeshire police, as well as the Council's blue badges and concessionary fares teams.

- Paragraph 3.4 explained that the Internal Audit Counter Fraud Team was currently in the process of implementing CIVICA, a specialist fraud management system.

The outstanding management actions as at May 2016 were summarised in table 3, which included a comparison with the percentage implementation reported at the previous Committee. There were currently no outstanding fundamental recommendations and of the five outstanding recommendations, four related to the CLEC review which had been reported separately.

Comments included:

- The Chairman suggesting that it was not necessary to include paragraphs 1.1 to 1.3 each time. **M Kelly**

On the completed audits the following issues were raised:

- B.1 Records Management – picking up from the text reading:
-

"…..*An update of records management and information governance content on CamWeb will ensure that staff can access process notes for record keeping systems, further reducing the risk of non-compliance. ……...*

Internal Audit are due to conduct a further review of Information Security in September, which will address any wider Information Security issues, including a more in-depth review of an issue identified regarding access permissions for systems".

The Chairman asked what measures were taken to ensure that staff were made aware when policies had been up-dated? In response it was stated that while there was no specific alert system, staff used the Council website on a regular basis as they were aware that this was where relevant information could be found.

- With reference to the further review of information security to be undertaken by Internal Audit in September, this would be reported back to the January / March meetings as part of the update reports.

- **Completed audit - C1 Domiciliary Care– missed short and late calls completed audit** - a query was raised regarding whether it had been a small sample. In response it was explained that rather using a sample basis, the review had looked at three different routes to analyse missed calls and had identified that although there were a number of controls which were partially in place, at the present time none were being fully implemented and it was not easy to cross reference between the three methods. The Vice-Chairman commented that while the mitigations set out were interesting, what was needed would be an update on when the new IT system was to be introduced across social care. It was clarified as a further response that the recommendations from Internal Audit were in respect of what could be done with the existing system. In the longer terms it was recognised that it needed to link into the new IT system when this had been implemented.

It was agreed that an update on the implementation of the Domcilliary Care Audit should be provided in January as part of the Internal Audit Progress update report **M Kelly**

- Para 6.3 in respect of Implementation of the **Galileo audit management and, documentation and reporting system** currently used in the Milton Keyes office, for which an updated version was to be rolled out to Cambridgeshire for the start of the new financial year 2017/18, **the Chairman requested regular updates on progress be provided in future reports, including stepping-stone target dates.** **M Kelly**

It was resolved to note the report.

235. AUDIT AND ACCOUNTS COMMITTEE TRAINING PROGRAMME

In terms of the training programme for 2016-17 training sessions already delivered were:

7th June Training session on the Council Accounts
12th July (before the current meeting) training on Risk Management.

This report set out details of possible training sessions topics including:

- Introduction to Internal Audit
- Introduction to Council Finance
- Audit Committee effectiveness / responsibilities for an Audit Committee
- Role of a chairman / woman and whether consideration should be given to appointing an independent, non-councillor to the role
- Corporate Governance
- Audit Planning
- Training which builds on sessions already delivered what the committee members had requested

In addition, Members were asked to consider if they had any views on how the training sessions could be best delivered, taking account that the most recent sessions had been scheduled to last one and a half hours and other options could include shorter sessions, one-to-one training, and training on days other than when the Committee met.

Comments included;

- attention was drawn to the poor attendance from the Committee members, with only the Chairman and Councillor Henson attending the session before the Committee that day and only three at the previous accounts seminar session (the Chairman and Councillors Henson and Hudson) and raised the question on whether this was a good use of member or officer time. On the basis of the previous two training session attendance, the Chairman challenged the Committee Members to justify having further sessions. As a response, Councillor Henson indicated that he had found that day's session very useful. Councillor Topping apologised for being unable to attend due to other commitments associated with his other District Council duties. It was also recognised that there had been three apologies for the Committee that day and therefore it could have been expected that otherwise, the attendance would have been higher.

- On the basis that the consensus of the Members present was that they were useful, the Chairman was willing to try one more session and review the future programme after it, on the basis of a better attendance from the Committee membership. It was also suggested where any future sessions were to be for an hour and a half then two topics should be included.

- **It was agreed to have a one-hour session on an introduction to Finance, including details of 114 notices, to be held for an hour before the September Committee from 12.30 to 1.30 p.m.** **Sarah Hey-wood**

236. DRAFT LGSS STATEMENT OF ACCOUNTS 2015-16

The Committee received the unaudited draft LGSS Statement of Accounts for 2015-16 for acknowledgment and comments on the basis that they were for information as their approval was for the LGSS Joint

Committee.

The Chairman indicated that he had concerns that there had been high levels of investment to build up LGSS which could be perceived as empire building, but agreed this was not a concern provided a reasonable service was being given. He did express concerns regarding keeping 90% of the profits accrued.

Questions raised included:

- What risk plan was in place should partners leave?

- The Chairman highlighted that there were multiple references to redundancy reserves in the report and asked whether taking on a new partner gave a further opportunity to reduce headcounts and as this had already been undertaken in Cambridgeshire and Northamptonshire, he asked what contribution Milton Keynes would be bringing in terms of monies to contribute to possible further redundancies.

The Chairman asked the Internal Head of Audit to provide an update on the questions raised outside of the meeting. **Duncan Wilkin-son**

The report was noted.

237. AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES

The Committee noted the completed actions / updates provided in relation to the minutes from the last meeting and earlier meetings, as set out in the report.

The following issues were raised / comments made:

Minute 213 titled 'Systems in place to ensure that Section 106 Funds do not go unspent' this had been referred to earlier when agreeing the minutes with **an update being requested regarding the issue of returning unspent monies to developers.** **S. Hey-wood/ C. Malyon/ P.Van De Bulk**

Action 2 - Minute 170 Internal Audit Progress Report, Whistle Blowing poster – **An update to be provided as part of the September Internal Audit Progress Report.** **M Kelly**

Action 4 - Item 9 Minute 184 Risk Management Report – agreeing to delete the action around alternative models of reporting risk, as no feedback had been received from Committee members and the action was four months old.

Action 7 - BDO External Audit Planning Report etc - action on concerns expressed by the Chairman at the last meeting on whether there were enough resources to undertake the level of highways work - in respect of the response set out that the

Transport Infrastructure Assets work was proceeding in accordance with the detailed project plan, there was a request to provide more detail outside of the meeting. **S Heywood**

Other actions requested

- In respect of the **new Committee Management System** which had gone live on 14th June, there was a request that **Internal Audit should provide a progress update as part of the January CLEC report update. Action** **M Kelly**

- **Action 9 Review of LGSS Internal Audit Compliance with the Public Sector Internal Audit Standards – on the addition made to the wording on page 7 of adding "or his deputy" this should be changed to "or his / her deputy"** **M Kelly**

- **Action 10 Minute 218 Internal Audit Report**

b) Officers to contact affected libraries to ensure the guidance issues were being followed. - The Chairman requested a copy of the email / action taken. **M Kelly**

d) The request to ensure that where good practice had been identified in schools it was shared with other schools - and having been informed in the response this was standard practice, the Chairman requested a copy of an email / letter as an example. **M Kelly**

Action 12 Minute 222 Integrated Resources and Performance Report – **in respect of the action from the previous meeting for a more detailed written explanation of the breakdown of the level of debt outstanding owed to the Council for both 4-6 Months and greater than 6 months, this was due to be circulated shortly** **S Heywood**

The Minute Log Update was noted as updated orally at the meeting.

238. DRAFT AGENDA PLAN

Noted with the further updates agreed at the meeting including as follows:

- Internal Audit Report to include anti-fraud and whistleblowing update and Galileo update to the September meeting.
- CLEC Update to January Meeting to also include new committee system update.
- January Internal Audit Update Report to include updates on
  - Information security
  - Social Care IT System update.
- Options Appraisals Report to the January Committee meeting.
- November Workforce Strategy Update Report.

The Chairman requested a note outside of the meeting on how the finance and accounts reports would be actioned, bearing in mind the earlier timescales involved. It was clarified that from 2017-18 the Accounts would be required to be signed off in July. **S Heywood / I Jenkins**

239. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 20th SEPTEMBER 2016

This would be preceded by a training session on Finance Issues commencing at 12.30 p.m. Room 128.

Chairman
20th September 2016

Appendix A

1. FINALISED ASSIGNMENTS

2.1 Since the previous Progress Report to the Audit and Accounts Committee in March 2016, the following audit assignments have reached completion as set out below in table 1:

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Customer Service & Transformation	Records Management	Moderate	Good	Minor
2.	Children, Families & Adults	Domiciliary Care – missed, short and late calls	Limited	Moderate	Moderate
3.	Children, Families & Adults	Direct Payments Compliance	Moderate	N/A	Minor
4.	Council-wide (Cross-cutting)	Safe Recruitment Compliance	Good	N/A	Minor
5.	Council-wide (Cross-cutting)	Business Planning - Benefits Realisation	Good	Good	Minor
6.	Council-wide (Cross-cutting)	Capital Contracts	Moderate	Good	Minor
7.	Key Financial Systems	Purchase to Pay	Substantial	Substantial	Minor
8.	Key Financial Systems	Accounts Receivable	Substantial	Substantial	Minor
9.	Key Financial Systems	Payroll	Substantial	Substantial	Minor
10.	Key Financial Systems	General Ledger	Substantial	Substantial	Minor
11.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Hartford Junior	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance		
12.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Sawtry Junior	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance		
13.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Earith Primary	Safe Recruitment – Moderate assurance Recruitment & Payroll – Moderate assurance		
14.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Thomas Eaton	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance		
15.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Kinderley Primary	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance		
16.	CFA - Schools	Safe Recruitment, Recruitment & Payroll	Safe Recruitment – Moderate assurance		

		– Girton Glebe	Recruitment & Payroll – Good assurance
17.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Great Gidding	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance
18.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Milton Road	Safe Recruitment – Limited assurance Recruitment & Payroll – Limited assurance
19.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Weatheralls	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance
20.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Waterbeach	Safe Recruitment – Moderate assurance Recruitment & Payroll – Good assurance
21.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Wisbech St Mary	Safe Recruitment – No assurance Recruitment & Payroll – Limited assurance
22.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Icknield	Safe Recruitment – Limited assurance Recruitment & Payroll – Good assurance
23.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Guyhirn	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance
24.	CFA - Schools	Safe Recruitment, Recruitment & Payroll – Guilden Morden	Safe Recruitment – Limited assurance Recruitment & Payroll – Moderate assurance

Agenda Item: 3

AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTION LOG FOR COMMITTEE MEETING 20th SEPTEMBER 2016

ACTIONS ARISING FROM THE MINUTES OF THE 22ND SEPTEMBER 2015 COMMITTEE MEETING			
NO	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
1.	**MINUTE 158. SAFEGUARDING - SAFE RECRUITMENT IN SCHOOLS UPDATE** There was a request to receive an update report at the November meeting.	**K Grimwade**	A report was included on the November 2015 agenda. A further update was received at the March 2016 meeting with a further update re-programmed from the September Committee to be received at the November 2016 meeting. **Action ongoing**
ACTIONS ARISING FROM THE MINUTES OF THE NOVEMBER 2015 COMMITTEE MEETING			
2.	**MINUTE 170. INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER**		
	The Whistle-Blowing poster should be redesigned to ensure that visually it could not be ignored.	**N Hunter / M Kelly**	The campaign has now launched with details provided in section 2.1 of the Internal Audit Progress report included on this agenda under the title 'Counter Fraud Awareness' **Action completed.**

ACTIONS ARISING FROM THE MINUTES OF THE 15th MARCH MEETING 2016 COMMITTEE MEETING			
3.	**MINUTE 200 - CAMBRIDGE LIBRARY ENTERPRISE CENTRE REVIEW – UPDATE ON ACTION PLAN PROGRESS TO DATE**		
	a) Confidentiality Agreement - It had been agreed that Quentin Baker Director of Law, Procurement and Governance was the appropriate officer to prepare the relevant report. At the time of the March Committee meeting no update had been provided by the Director of Law and Governance for the Progress Plan and the Chairman therefore undertook as an action to telephone him personally to request an update.	**Internal Audit**	Internal Audit were still seeking clarification of timescales from the Director of Law, Procurement and Governance. **Action ongoing**
ACTIONS ARISING FROM THE MINUTES OF THE 7th JUNE MEETING 2016 COMMITTEE MEETING			
4.	**MINUTE 214 - ISA 260 UPDATE REPORT**		
	a) Page 4 First line entry - list of all assets – **There was a request for a six month progress update on the 18 month project to register all 6,000 parcels of land purchased for highways schemes with the Land Registry. Action**	**Iain Jenkins**	The Agenda Plan has been updated to receive a report back in November. **Action ongoing**
	b) Page 6 Bank Accounts - Text on latest position reading "Ten imprest (petty cash) accounts remain to be mapped to the GL and these are being investigated". **The Chairman requested a confirmation note when completion was achieved on these final 10.**	**Iain Jenkins**	An update the Committee is asked to note that this work was put on hold as finance officers had to prioritise completing the draft Statement of Accounts but it will now be picked up again. There are still 10 imprest / petty cash accounts to be mapped to the General Ledger. The value of these accounts is not material.

			A further update will be provided once this review is completed. **Action ongoing**
5.	**MINUTE 215 - BDO EXTERNAL AUDIT PLANNING REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT FOR THE YEAR ENDED 31ST MARCH 2016**		
	b) Page 6 setting out the Audit Scope and objectives – with reference to number 5 'use of resources' the Chairman requested that **in respect of 'securing economy, efficiency and effectiveness in the use of resources' that future reports from the External Auditors should provide examples of best practice undertaken in other local authorities**. **Action**	**Lisa Clampin**	This has been noted and the Use of Resources team briefed to make reference to relevant best practice where possible. The draft report on the findings from BDO's 2015/16 audit, including their use of resources work, is on the current agenda. **Action ongoing**
	c) Page 10 – Opening Balances - Transport Infrastructure Assets –. **The Chairman asked if there was enough resource to undertake the level of Highways activity referred to in the discussion. It was indicated that this would be looked into with relevant Highways officers outside of the meeting and reported back to a future meeting.**	**Sarah Heywood / Mike Atkins/ Barry Wylie**	An update report is to be provided to January Committee meeting. **Action ongoing.**
	e) Page 13 Sustainable Finances – It was confirmed that the figure of £51m savings for 2016-17 was still accurate. **The Vice-Chairman suggested that in a year's time commentary should be included which indicated whether the Council's risk in respect of its sustainable finances position had improved or worsened. Action.**	**Lisa Clampin / Sarah Heywood**	This has been noted. BDO indicated as an update for the July meeting that they would be providing such context in its report for 2016/17 on the current agenda. **Action ongoing**

6.	**MINUTE 218 - INTERNAL AUDIT ANNUAL REPORT 2015/16**		
	a) It **was agreed that Democratic Services should invite the Director of Learning and the Schools Finance Manager to the September meeting to set out the progress being made.**	**RVS contact K Grimwade / M Wade**	With the agreement of the Chairman, an update report will now come forward to the November Committee Meeting to allow greater input into the final report from Internal Audit. **Action ongoing**
	b) Investigations in respect of anti-fraud and corruption were detailed in section 4.6 of the report. In terms of the alleged theft of cash from a library safe, **officers were asked to contact the affected libraries to ensure the guidance issued was being followed.**	**M Kelly**	An e-mail was sent to the Chairman in August stating: Both libraries have been contacted by Internal Audit's Counter Fraud Team and it has been confirmed that the two high priority suggested measures have been implemented (moving from a keybox & safe system to using a combination lock for the safe where only the relevant staff know the code and nothing is written down; in the other case, replacing a keypad entry system as the numbers of the keypad had discoloured where they were being pressed repeatedly – this has been replaced for a hardwearing plastic keypad which will not suffer discolouration). As an update on 8th September, Internal Audit have indicated that the recommendation regarding updating the till in use has not yet been implemented, but this is considered a lower priority action. Internal Audit have reminded the Library of this recommendation again. **Action ongoing**
	c) In terms of the second from last investigation listed in the table on page 12 **'Allegations that a dependent's pension due to a disabled service user had been paid to and used by, other family members' and the action to seek repayment of the funds, the Chairman asked that an update be provided in due course.**	**M Kelly**	This was a complex case and it was decided not to seek a lump sum repayment to the service user. An informal repayment system was agreed to be the best option, and this has been implemented. The pension is

			now being paid to the service user correctly on a monthly basis. **Action completed.**
	d) Section 5 of the report set out the detail of the Internal Audit performance and quality assurance, with table 5 detailing Internal Audit Resources input in days in the specific areas of audit review. **There was a request to ensure that where good practice had been identified in schools, this should be shared with other schools head-teachers' and governors.**	**M Kelly**	An update at the July meeting indicated that this was standard practice as part of the normal schools audit approach. There was a request that some evidence should be provided. In an email to the Chairman dated 1st September Mairead Kelly reported that: "We generally share this (*good practice*) either informally on the day, or as part of the school's report. For instance, one example of good practice which we found in some schools during our previous round of Schools Financial Risks audits was that some schools use a 'grid stamp' on invoices, which reminds them to clearly evidence the separation of duties between the person putting in an order/approving/goods receipting. We suggested that schools adopt this approach where there is some inconsistency in their approach to this – an example would be Ely St Johns school, which received good assurance overall but we felt would benefit from a grid stamp. We also share good practice by working with schools and colleagues in Learning and Education Finance to identify schools' needs and how best to address them and keep them informed of what good practice looks like. For instance, I'm currently working with the Education Advisors and Safeguarding team to produce a 'self assessment toolkit' to allow schools to run their own checks on their Safer Recruitment processes,

			which is based on our audit work programme. This includes information on the 'good practice' approach against every check. We'll bring much more information on this and other ongoing work to the November meeting with our Safer Recruitment report." **Action completed.**
7.	**MINUTE 222 - INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 31ST MARCH 2016**		
	a) Page 207 - 8. **Balance Sheet showing the level of debt outstanding for owed to the Council for both 4-6 months and greater than 6 months had increased.** While it was explained that these were mainly in relation to adult social care (ASC) and were being looked at urgently **the Chairman requested a more detailed written explanation outside of the meeting.**	**C Malyon / S Hey-wood**	**Sarah Heywood the** Strategic Finance Manager Finance LGSS sent an e-mail to the Chairman on 24th August attaching a spreadsheet detailing the outstanding debt by Service and service type. In the e-mail it was explained that additional resources had been put into ASC debt for the last couple of months and there has been a downward trend in particular on the 4-6 month debt since it peaked in May 2016. It was acknowledged that there was further work to do on the 6 month+ debt but the figures attached to the spreadsheet on the email did not show how much of this debt was being progressed in other ways i.e. collection agent, probate, letter before action. It was explained that aged debt was more difficult to collect so the strategy employed was to work on the debt at an earlier stage to avoid it becoming aged in the first place balanced against the need to continue working on the existing aged debt. **Action completed**

ACTIONS ARISING FROM THE MINUTES OF THE JULY 2016 COMMITTEE MEETING			
8.	**MINUTE 226. MINUTES**		
	Minute 213 'Systems in place to ensure that Section 106 Funds do not go unspent' and the resolution reading: "That in noting the report it should be placed on record that the unanimous view of the Audit and Accounts Committee was to recommend that where Section 106 monies could not be applied against relevant expenditure by the deadline in the agreement, the County Council should ensure the developer was informed in due course" The Chairman had not been satisfied that the action had been passed on to relevant officers and requested that evidence was provided that officers had been notified and were actioning the Committee's request.	**S Heywood**	An e-mail was sent by Sarah Heywood to the Chairman on 7th September with details of schemes where monies had not been spent, with it being explained that all outstanding unused S106 funds had been reviewed and the outcomes were either- • Funds having been applied against applicable expenditures, • Discussions were taking place with the respective developer as to alternative possible uses for the funds, and if agreement was not possible the funds will be repaid. **The Committee is asked to endorse the above approach to dealing with unused Section 106 Funds.**
9.	**MINUTE 227. WORKFORCE STRATEGY** The Committee Chairman expressed his interest in being provided with more information on trends in recruitment outside of the meeting and whether there was evidence to show that for high volume posts such as social workers and support staff, there had been a reduction in the number of applications for posts over a period, as a result of a perceived negative view of Local Government as a desirable place to work.	**Chairman to liaise with Janet Maulder**	The Chairman met with Janet Maulder on 9th September.

10.	**MINUTE 228. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND – PLANNING REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT FOR THE YEAR ENDING 31ST MARCH 2016 FROM EXTERNAL AUDITORS BDO**		
	a) Page 9 – Fair Value of Investments (Cambridgeshire and Counties Bank) –the Chairman queried how the External Auditors would ensure the accuracy of unquoted investments in the Bank. **He asked for more detail regarding the text reading "The investment in the bank is unquoted and is valued by an external valuer appointed to the Fund" and whether there were external market comparators. Action: e-mail clarification outside of meeting**	**Barry Pryke Manager / Public Sector Assurance**	An e-mail was sent on behalf of Barry Pryke from Democratic Services on 8th September providing details of the valuation based approach undertaken by Grant Thornton. **Action Completed**
	b) Page 11 Investment Management Expenses – Regarding CIPFA guidance on presenting a clear, combined figure for charges in the fund accounts, it was clarified by Richard Perry (Pension Services Financial Manager LGSS - Pensions Investments) that it had not been mandatory for the 2015-16 accounts. T**he intention was to obtain the 2015-16 data for use as a comparator for implementation in next years' accounts. There was a request that the note on page 11 should be updated to reflect the proposed treatment.**	**B Pryke**	Barry Pryke has confirmed that BDO would reflect this in the treatment proposed by the Pension Fund in their ISA 260 report to be included on the current agenda. **Action Completed**
11.	**MINUTE 229. DRAFT STATEMENT OF ACCOUNTS**		
	a) Page 6 – it was suggested making reference to roads and bridges would make the text more intelligible to the public	**I Jenkins**	A reference to Roads and Buildings has been added to the narrative in the Capital Adjustment Accounts disclosure note. (Note 23 of the Accounts).
	b) Page 7 it was suggested that there was too much detail in the first paragraph and suggested some of text could be in shown in the notes. The reference to 'May' should include the year.	**I Jenkins**	Amended to 'May 2016'.

	c) Page 8 queried use of the word "revised" and whether "adjusted" was a more appropriate word.	**I Jenkins**	This amendment has been made.
	c) Page 10 Reserves – Background note for Chairman requested on comparative figures of other Counties.	**I Jenkins**	To follow.
	d) Page 11 – commented that the use of a floating column chart was challenging to read.	**I Jenkins**	Chart has been replaced by a table in the final Statement of Accounts.
	e) Page 13 - Littleport Community College – requested the text be edited. Word 'collocating' should be reviewed.	**I Jenkins**	This paragraph has been reworded.
	f) Page 15 – requested that the bullets under Cambridge City Deal should be checked in terms of the order shown.	**I Jenkins**	This list isn't in order of sequence- it comes from the City Deal information as is published elsewhere, so kept the same for consistency
	g) Page 17 - assistive technology reference required explanation	**I Jenkins**	Definition has been added.
	h) On the Financial Statements pages comments / clarifications given included:		
	i) Page 24 - Movement in Reserves Statement – error highlighted requiring correction reading 'Transfers **from** earmarked reserves (note 8) should read 'Transfers **to** …..'	**I Jenkins**	This amendment has been made.
	j) Page 25 - **Change of £80m from 2014-15 to 2015-16 on Education and Children's Services Line** - **The Vice Chairman suggested that this should have an explanatory note provided.**	**I Jenkins**	Explanation of this movement is included in the covering report being presented to the September committee alongside the final Accounts.
	k) Page 26 - Long Term Liabilities there was a missing figure - required a note of explanation on what they included.	**I Jenkins**	A disclosure note has now been added to the Accounts for Long Term Liabilities

	l) Page 31 - Property, Plant and Equipment – Last paragraph on the page under the heading 'Measurement' – making reference to valuations, required updating to the text.	**I Jenkins**	This paragraph has been removed as it is not required to be included within the Accounting Policies. Information on valuations is included within the Property, Plant & Equipment disclosure note within the Accounts.
	m) Page 33 - Under Heading "Application of Fair Values Hierarchy" and the third paragraph reading "**In estimating the fair value of the Council's investment and surplus properties, the highest and best use is their current use. Since the date of valuations, the Council has no information of any material change in value and therefore the valuations have not been updated" The Chairman queried whether the EU referendum should be considered a material change and asked officers to look at this wording again.**	**I Jenkins**	A paragraph on the EU Referendum Result has been added to the Events After the Balance Sheet Date disclosure (Note 5) within the Accounts.
	n) page 34 – Second bullet - the Chairman queried whether the wording reading 'Vehicles Plant Furniture and equipment (all of these only related to PFI Schemes' was correct, as it appeared to be suggesting that the County Council did not have any vehicles other than those in Private Finance Initiative (PFI) schemes. In response it was confirmed that only vehicles, plant, furniture and equipment in respect of PFI schemes was capitalised on the Council's balance sheet, in line with the accounting policy. **It was suggested that the wording needed to be looked at again, as if only a subset was being shown, this required to be made clear.**	**I Jenkins**	This has been reworded.
	o) Page 35 – Non- Current Assets held for sale The Chairman had a concern regarding whether some of these could be heritage assets, citing an example of a work of art in Northampton that had been sold amidst some controversy.		Following discussion with the external auditors this section of the Accounting Policies has been removed as it is not material.

	p) Page 37 – **Investment Properties -** The Chairman requested clarification of what these were and where they were shown on the balance sheet. **It was explained that this was Castle Court and that there were no other investment properties on the balance sheet. It was requested that a note to this affect should be added. Action**	**I Jenkins**	The accounting treatment for Castle Court has been amended. It is now classified as a long term lease and not as an investment property. The covering report presented to the September Committee will set this out in more detail.
	q) Page 38 – the continuing text from page 37 on what was the first paragraph at the top of the page required clarification / re-writing as the Chairman did not understand what it was saying. **Action: The officers undertook to provide an explanatory note.**	**I Jenkins**	To follow
	r) Page 42 - Finance leases - 3rd para reading "however in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period" A question raised was what would happen if the Academy sold the school site. In response it was explained that this would require its accounting treatment to be re-assessed. **The Chairman asked the officer to consider whether a note was needed.**	**I Jenkins**	Academy assets are not included on the Council's balance sheet as they have been transferred as long term leases. However the underlying ownership of the Assets remains with the Council, and they will transfer back to the Council at the end of the lease. Therefore the sites cannot be sold during this period.
	s) Page 42 - In a further question a Member asked if there were any clauses on the transfer of schools to academies to prevent them selling the assets. The officer indicated he would respond in an e-mail outside of the meeting.	**I Jenkins**	See comments above.
	t) page 48 - Value Added Tax second line reading "…and all VAT paid is recoverable…" **following a query on whether the Council paid any VAT and on being told it does on services it provides, there was a request to consider whether a clarification note was required**	**I Jenkins**	The wording of this accounting policy is considered appropriate.

	u) Page 50 - final sentence in first para reading "The subsequent loss that this accounting treatment creates is expensed through the Comprehensive Income and Expenditure statement and financed as Revenue Expenditure Funded as Capital Under Statute" **required to be re-written to provide greater clarity.**	**I Jenkins**	This has been reworded.
	v) On same page (50) the right hand text in the box under the heading 'Effect if Actual Results Differ from Assumptions' to be re-written to explain how the Council assets increase was calculated.	**I Jenkins**	This has been reworded.
	w) Page 53 – to consider whether the note under the title 'Schools converting to Academy status ' was required	**I Jenkins**	The figures within this note are material, so this disclosure has been retained.
	Page 57 under 9 'Operating Expenditure' in answer to a request on what the two lines represented, it was explained that the line 'Losses on the disposal of non-current assets' included academies while 'Levies' included amounts paid to the Environment Agency for flood defences.		
	x) Page 60 In the first para under Capital Commitments - whether the rounding up should be £67m rather than £68m	**I Jenkins**	This has been amended.
	y) Page 62 second para first line reading ' ….the chains of office of the Chairman…" should have after it the words " / chairwoman"		Amended to 'Chairperson'
	z) Page 63 – 15 Financial Statements line reading 'Receivables' - the Chairman asked what the definition of non-receivables was and whether Private Finance Initiative (PFI) credits should be included. It was explained that PFI Credits were not classed as Long term receivables in terms of the Accounts. **The Chairman asked to be informed where PFI credits were included in the Accounts.**	**I Jenkins**	PFI credits are shown within the Grant Income disclosure (Note 31) and also within the PFI disclosure (Note 35).

	2a) Page 65 – in response to a question it was explained that the missing numbers in the table in the notes were both zero. **It was suggested the table was not needed.**	**I Jenkins**	Included for completeness. Whilst no Certificates of Deposits were held at the balance sheet date, some were held during the 2015-16 financial year.
	2b) Page 67 – 17. Investment Properties – query on why there was no figure in 2014-15.	**I Jenkins**	This figure for 2014-15 is nil. The Council had no Investment Properties on its balance sheet in 2014-15, so there was no rental income.
	2c) Page 69 – first entry in table - reference to rack rents – agreed this wording should be changed to a more recognisable description and whether all the descriptions were required.	**I Jenkins**	Amended to 'market rents'
	2d) Page 70 – With reference to the provision of £1m to assist the implementation of the operating model, more details on what the monies could be spent on to be provided outside of the meeting.	**I Jenkins**	To follow. Please note that following review during the audit, it was deemed more appropriate that this was held within earmarked reserves rather than provisions. It has been adjusted accordingly in the final Accounts.
	2e) page 76 – heading needed at top of table.	**I Jenkins**	Heading has been added.
	2f) Page 76 - Financial Instruments Adjustment Account – query regarding figures being the same on the two text lines.	**I Jenkins**	Line was duplicated in error. This disclosure has been removed from the final Accounts as it is not material.
	2g) Page 77 – Pensions Reserve –, **the Chairman requested a more detailed note outside of the meeting on what factors the actuary had used to arrive at the final discount rate figure.**	**R Perry**	At the time of producing this update (9th September) Currently still to be provided **Action ongoing**
	2h) Page 83 - **Grafham Water Centre - with respect to the £49k deficit** shown and the Chairman asking what measures would be taken to address it, it was explained that expenditure would need to	**RVS to contact K Grimwade**	It had been agreed with the Chairman that this update would be part of the Trading Units update now coming forward to the November meeting.

	be reduced. **There was a request for Keith Grimwade to provide the details at the September Committee.**		**Action ongoing**
	2i) Page 93 sub-totals required in table	**I Jenkins**	This has been amended.
	2j) Page 97 **Street Lighting PFI** – The Chairman suggested that the text reading "….with the cost of the maintenance being funded from the Council's revenue allocations…" was inaccurate and **another word should be found to replace the word "maintenance"**	**I Jenkins**	Amended to 'service fee'.
	2k) Page 101 - The Chairman queried whether the text from and including the text in bullet point two down to the next title reading 'Discretionary post-retirement benefits' could be deleted. Officers agreed to look at this further.	**I Jenkins**	This narrative has been retained as this information may be useful to readers of the Accounts.
	2l) Page 102 – Title of table 'LGPS' to be put in full and consideration given to the presentation of the figures being made clearer.	**I Jenkins**	This has been amended.
	2m) Page 108 – Property Searches – Request for an explanatory note to be produced.	**I Jenkins**	To follow
	2n) Page 109 – Text in 4th paragraph from the bottom of the page reading "The Authority's maximum exposure to credit risk in relation to investments of £10.1 million cannot be assessed generally…… " **2o) More explanation required. |**	**I Jenkins**	To follow
	2p) Page 110 – PWLB to be spelt out in full.	**I Jenkins**	This has been amended.

	2q) On outstanding invoices, while the figure for those less than three months had improved substantially from the previous year, there was a request for more detail to be provided, accepting that some would be very small amounts.	**S Hey-wood**	A response was sent to the Chairman on 24th August indicating that: • The outstanding invoices due but not impaired (Page 110 of Statement of Accounts) is not comparing like with like as the 31-Mar-15 published figure included pensions whereas the 31-Mar-16 figure does not include pensions. However, if pensions are included for both, there is still a significant reduction in "Less than 3 months" from the published March 15 figure (£37,515K) to the March 16 figure (£18,088K). • The attached spreadsheet provided to the Chairman showed the breakdown of debt into the different debt categories and different services. Of the £18,088k at the end of March 2016, £14.1m was current (not overdue debt), £2.26m was between 1 and 30 days, and £1.07m was between 31-60days. • The high debt figure at March 2015 could partly be due to the change in debt arrangements at that time, when the previous Income manager left and the debt team came together across Northamptonshire and Cambridgeshire.
	2r) Page 111 LOBO to be spelt in full.	**I Jenkins**	This has been amended.
12.	**PENSION FUND**		
	a) Page 130 – under the paragraph headed Private Equity and infrastructure assets' in the right hand column in the first	**R Perry**	**Corrected.**

	sentence the figure required to be corrected from £177.9m to £164.4m.		
	b) Page 130 – Under the text on Cambridge and Counties Bank, it was suggested that there was a word missing in the second from last line in the left hand column. Action.	**R Perry**	**Corrected.**
	c) Page 135 – as the figures in the table did not add up across the mid-table and there were blank areas, the Chairman queried the layout. It was explained this was a CIPFA requirement for the Accounts. **Action: It was agreed that another line with a heading would be added and if necessary some explanatory text included.**	**R Perry**	The format of the table has been amended in agreement with the auditors. **Action completed**
	d) A query was raised regarding different investment asset values on page 120 (£212,688) page 136 and page 137 (£2,243,611) **Action: An explanatory note was required and it was agreed that a sub-heading should be put under the figure of £1,006k on page 120 and elsewhere where clarity was needed.**	**R Perry**	A new sub-total for Net Investment Assets has been introduced to the Net Asset Statement (page 120) to ensure that this is easily agreed to Note 15. **Action completed**
	e) Page 144 – Queried in the para titled - **Other Price Risk – sensitivity analysis whether the date in the third line reading** “the following movements in market price risk are reasonably possible for the 2015-16 reporting period should be “2016-17 reporting period”. It was explained that this looked at historical fluctuations which was why it referred to 2015/16. **Action: The Chairman asked that the word “possible” should be reviewed for accuracy.**	**R Perry**	The text has been amended to state:-“ that the following movements in market price risk would have reasonably been possible for the 2015-16 reporting period.” **Action completed**
	f) Page 152 c) Family details – query on whether the reference to marriages included civil partnerships. **Action: There was a request to ask the Actuary to tighten up the wording.**	**R Perry**	An e-mail was sent to the Actuary on 19th August 2016 and a response on 6th September indicated that

			the Actuary has confirmed that the change will be made in the 2016 valuation report. **Action completed**
13.	**MINUTE 233. INTERNAL AUDIT PROGRESS REPORT TO 31ST MAY 2016**		
	a) The Chairman suggesting that it was not necessary to include paragraphs 1.1 to 1.3 each time.	**M Kelly**	This has been taken out of the report on the current agenda. **Action completed**
	b) Completed audit – C1 Domiciliary Care– missed short and late calls completed audit – It was agreed that an update on the implementation of the Domiciliary Care Audit should be provided in January as part of the Internal Audit Progress update report	**M Kelly**	**Action ongoing.**
	c) Para 6.3 in respect of Implementation of the **Galileo audit management and, documentation and reporting system** currently used in the Milton Keyes office, for which an updated version was to be rolled out to Cambridgeshire for the start of the new financial year 2017/18, **the Chairman requested regular updates on progress be provided in future reports, including stepping-stone target dates.**	**M Kelly**	An update is included in the latest Internal Audit Progress Report which includes timescales is included on the current agenda and as requested there will updates provided in subsequent update reports.
14.	**MINUTE 235.AUDIT AND ACCOUNTS COMMITTEE TRAINING PROGRAMME**		
	• **It was agreed to have a one-hour session on an introduction to Finance, including details of 114 notices, to be held for an hour before the September Committee from 12.30 to 1.30 p.m.**	**Sarah Hey-wood**	The session has been arranged to take place in Room 128 12.30 -1.30.

15.	**MINUTE 236. DRAFT LGSS STATEMENT OF ACCOUNTS 2015-16**		
	Questions raised included: • What risk plan was in place should partners leave?		Partners leaving LGSS is managed via the partnership agreement each signs. A full scale withdrawal would be dependent upon the reason to some extent however the formal notice required is 12-18 months. The risks would thus be managed over that period allowing for their proper, full consideration. **Action completed**
	• The Chairman highlighted that there were multiple references to redundancy reserves in the report and asked whether taking on a new partner gave a further opportunity to reduce headcounts and as this had already been undertaken in Cambridgeshire Count Council (CCC) and Northamptonshire County Council (NCC), he asked what contribution Milton Keynes Council (MKC) would be bringing in terms of monies to contribute to possible further redundancies.		A response was sent to the Chairman dated 30th July reading: At the Committee you asked whether 15/16 savings were baked into budgets prior to MKC joining LGSS (as with CCC and NCC) and whether LGSS (and thus CCC) would pay for MKC redundancy costs. I've checked with Matt Bowmer, Chris Malyon and Tim Hannam. The consensus is: The accounts reviewed were 2015/16 and therefore did not contain any MKC funds. From 16/17 onwards the majority of savings will be on a shared basis – so if there is a redundancy that occurs and doesn't 'wash its own face' in the financial year, all partners contribute in relation to the agreed benefit share.

			A review of the reserves within LGSS will come to some agreement on MKC's share. There is no intention to lay claim to anything that was LGSS funds before MKC joined. Put simply, MKC costs will not be defrayed from LGSS reserves as at 31st March 2016. Future costs and savings are shared in accordance with the partnership agreement going forward.
	The Chairman asked the Internal Head of Audit to provide an update on the questions raised outside of the meeting.	**Duncan Wilkinson**	**Action completed as set out above.**
16.	**MINUTE 237. AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES**		
	a) Minute 213 titled 'Systems in place to ensure that Section 106 Funds do not go unspent' this had been referred to earlier when agreeing the minutes with **an update being requested regarding the issue of returning unspent monies to developers.**	**S. Hey-wood/ C. Malyon/ P.Van De Bulk**	See the response at Item 10.
	b) Action 2 - Minute 170 Internal Audit Progress Report, Whistle Blowing poster – **An update to be provided as part of the September Internal Audit Progress Report.**	**M Kelly**	
	c) Action 7 - BDO External Audit Planning Report etc - action on concerns expressed by the Chairman at the previous meeting on whether there were enough resources to undertake the level of highways work - there was a request to provide more detail outside of the meeting.	**S Hey-wood**	A report is to be presented to the November meeting. **Action ongoing**

	d) In respect of the **new Committee Management System** which had gone live on 14th June, there was a request that **Internal Audit should provide a progress update as part of the January CLEC report update.**	**M Kelly**	**Action ongoing**
	e) **Action 9 Review of LGSS Internal Audit Compliance with the Public Sector Internal Audit Standards** – **on the addition made to the wording on page 7 of adding "or his deputy" this should be changed to "or his / her deputy"**	**M Kelly**	Has been actioned. **Action completed**
	F) Action 10 - Minute 218 Internal Audit Report **Officers to contact affected libraries to ensure the guidance issues were being followed. - The Chairman requested a copy of the email / action taken.**	**M Kelly**	See 6b) earlier on this Log.
	The request to ensure that where good practice had been identified in schools it was shared with other schools - and having been informed in the response this was standard practice, the Chairman requested a copy of an email / letter as an example.	**M Kelly**	See 6d) earlier on the Log.
	Action 12 Minute 222 Integrated Resources and Performance Report – **in respect of the action from the previous meeting for a more detailed written explanation of the breakdown of the level of debt outstanding owed to the Council for both 4-6 Months and greater than 6 months, this was due to be circulated shortly.**	**S Hey-wood**	See 7a) earlier on this log.
17.	**MINUTE 238. DRAFT AGENDA PLAN**		
	The Chairman requested a note outside of the meeting on how the finance and accounts reports would be actioned, bearing in	**S Hey-wood / I Jenkins**	A report was sent to the Chairman on 7th September and has been included as an item on the current agenda.

	mind the earlier timescales involved. It was clarified that from 2017-18 the Accounts would be required to be signed off in July.		

RISK MANAGEMENT REPORT

To:	**Audit and Accounts Committee**		
Date:	**20th September 2016**		
From:	**Sue Grace, Director, Customer Services and Transformation**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**

Purpose:

- **To provide the Audit and Accounts Committee with the profile of Corporate risks faced by the Council**
- **To provide details of significant changes to the Corporate Risk Register since the last report to the Committee in June 2016**
- **To provide the Audit and Accounts Committee with the profile of risks faced by corporate and executive directorates**
- **To provide A&AC with a comparison of CRR from other authorities**

Recommendation: **Audit and Accounts Committee comments on and notes the latest Risk Management Report.**

	Officer contact:
Name:	Duncan Wilkinson
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1. BACKGROUND

1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.

1.2 The risk management approach is encapsulated in 2 key documents:

- Risk Management Policy

  This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite. The Risk Management Policy is owned by the General Purposes Committee.

  The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit and Accounts Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

- Risk Management Procedures

  This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Strategic Management Team (SMT).

1.3 The respective roles of the Audit and Accounts Committee and General Purposes Committee in the management of risk are:

- The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- The General Purposes Committee has an executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes.

1.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;

- Risk management should be embedded in everyday business processes;

- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;

- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

Ownership of the Corporate Risk Register (CRR) lies with SMT which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG), chaired by the LGSS Head of Internal Audit.

Significant changes to the CRR are reported to General Purposes Committee and Group Leaders on a quarterly basis. On an annual basis General Purposes Committee and SMT will review the CRR to seek to ensure that all significant risks faced by the Council are reflected. This annual review is undertaken in co-ordination with the annual business planning process.

1.5 The CRR was reviewed by SMT on 12th August 2016. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 20th September 2016.

1.6 This report is supported by:

- The Corporate Risk Profile (Appendix 1)
- The Corporate Risk Register (Appendix 2)
- A comparison of the Corporate Risk Register against other authorities CRR's (Appendix 3)

2. CORPORATE RISK REGISTER UPDATE

2.1 Following the review of the CRR by SMT on 12th August, SMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

Appendix 1 shows the profile of Corporate Risk against the Council's risk scoring matrix.

2.2 **Risk 22: The Cambridgeshire Future Transport programme fails to meet its objectives within the available budget**

The risk description has been changed to ‘The Cambridgeshire Total Transport programme fails to meet its objectives within the available budget’.

SMT agreed the rewording of Risk 22

2.3 **Risk 30: Failure to deliver Waste savings / opportunities and achieve a balanced budget**

The trigger has been updated from failure to:
1) deliver Household Recycling Service savings,
2) realise savings opportunities from waste contracts
3) manage operational risk of unforeseen contractual events

To:
1. Failure to realise Waste Private Finance Initiative (PFI) contract opportunities (e.g. Reduce cost of Compost Like Output (CLO) and increase income from TPI) and manage operational risk of unforeseen contractual events (e.g. Wet IVC waste) leading to significant budget pressures

SMT agreed the change of the trigger to Risk 30

3 SERVICE RISK

CORPORATE AND EXECUTIVE DIRECTORATE RISKS

3.1 The following table overleaf shows the profile of directorate risk across the Red, Amber, Green (RAG) range and comparison with the previous quarter’s profile.

ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT AUGUST 2016

DIRECTORATE	Green		Amber		Red		Total	
	May	Aug	May	Aug	May	Aug	May	Aug
Children, Families and Education (CFA) (Jul-16)	1	1	14	14	1	1	16	16
Economy, Transport and Environment (ETE) (Jul-16)	1	1	18	18	1	1	20	20
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (PH) (Jul-16)	2	0	26	21	0	0	28	21
TOTAL	**4**	**2**	**65**	**60**	**2**	**2**	**71**	**64**

The Table illustrates that there are 64 risks recorded in service risk registers. 62 of the risks are managed within the Council’s stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy. Actions are planned against the previously reported red risks for ETE and CFA.

4. A COMPARISON OF CCC'S CRR AGAINST OTHER AUTHORITIES CRR'S

Following on from the Audit & Accounts Committee Risk Training meeting held on 05/07/16 the Chairman asked for us to undertake a risk comparison exercise to compare other corporate risk registers to confirm that our CRR contained all the main corporate risks that other authorities included.

Please see Appendix 3 for the report.

5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- Develop the local economy for the benefit of all
- Help people live healthy and independent lives
- Support and protect vulnerable people

Source Documents	**Location**
Corporate Risk Register	Box OCT1108 Shire Hall Castle Hill Cambridge, CB3 0AP

CORPORATE RESIDUAL RISK MAP – AUGUST 2016

Appendix 1

Favourable change **Adverse change**

Green rated Amber rated Red rated

PROBABILITY

5 Very Likely	A	A	A 32	R	R
4 Likely	G	A	A	R 9, 1a, 1b	R
3 Possible	G	A	A 22, 2, 24	A 31, 29, 3, 28, 21	A 27, 15, 30
2 Unlikely	G	G	A 4, 23	A 20	A 26
1 Very Rare	G	G	G	G	A
	1 Negligible	**2 Low**	**3 Medium**	**4 High**	**5 Very High**

IMPACT

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: August 2016

Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	Risk Description	Trigger	Result	Owner		Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status		
1a	Failure to produce a robust and secure Business Plan over the next 5 years	1. Failure to have clear political direction, vision, priorities, and outcomes in the Business Plan. 2. Failure to plan effectively to achieve necessary efficiency savings and service transformation. 3. Failure to identify sufficient additional savings in addition to existing plans, in light of forthcoming CSR. 4. Worsening Pension Fund deficit 5. Legislative changes add unforseen pressures to Council savings targets	1. The Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.	CD CS&T	1. Robust political leadership, strong vision, clear priorities and policies, developed through councillor engagement	4	4	16	~~2. Transformation Programme, and Transformation Fund, established to deliver the New Operating Model and form the beginning of this year's business planning process~~	~~SMT~~	~~Feb-16~~	~~Mar-16 May-16 (and work continues beyond)~~	G	Executive Director, Children, Families and Adults	A paper is going to GPC on 31st May which should be a useful milestone for the Risk Report
					2. Robust engagement with members of CLT and Councillors through the Business Planning process timetable, to ensure greater cross-organisational challenge and development of options.				~~3. Communication of Transformation Programme and GPC/SMT decisions on how this will be implemented. For Q1 15/16 this includes communicating the "pipeline" for how transformation activity will inform the business planning process.~~	~~CD CS&T~~	~~Jul-16~~		G		
					3. Full consultation with public, partners and businesses during planning process, including thorough use of data research and business intelligence to inform the planning process				4. Review how CFA can better integrate planning cycle with partners	ED CFA	Jun-16		G		This is being taken forward with Health through the System Transformation Programme which is establishing principles and proposals
					4. Stronger links with service planning across the Council seeking to transform large areas of spend.										
					5. Business Planning process requires early identification of possible impacts of legislative changes, as details emerge										
					6. A working party is exploring alternatives to the existing business planning process										
					7. Capital Programme Board - robust management of the delivery of capital elements of the Business Plan										
					8. CFA savings tracker in place and reviewed by the CFA Performance Board monthly and weekly at the working group										
					9. An 'in-year savings tracker' in place to enable SMT to strengthen performance management of the delivery of the Business Plan										
					10. Business Case process in place as part of the development of savings proposals for the Business Plan										
1b	Failure to deliver the current 5 year Business Plan 2016 - 2021	1. Failure to deliver (with partners) the Business Plan and achieve required efficiency savings and service transformation. 2. Assumptions in existing Business Plan regarding the wider economic situation are inaccurate. 3. Organisation not sufficiently aligned to face challenges.	1. The Council is unable to achieve required savings and fails to meet statutory responsibilities or budget targets; need for reactive in-year savings; adverse effect on delivery of outcomes for communities	CE	1. Robust service planning; priorities cascaded through management teams and through appraisal process	4	4	16	~~3. Business Planning Coordination Group develop process for GPC/SMT Transformation Programme to inform Business Planning Process, and how work across Council and with Partners feeds into that.~~	~~BPCG~~	~~Jun-16~~		G	BPCG - Buisness Planning Coordination Group	
					2. Strategy in place to communicate vision and plan throughout the organisation				4. Review how CFA can better integrate planning cycle with partners	ED CFA	Jun-16		G		This is being taken forward with Health through the System Transformation Programme which is establishing principles and proposals
					3. Performance Management										
					4. Governance framework to manage transformation agenda: a. Integrated portfolio of programmes and projects b. Routine portfolio review to identify and address dependencies, cross cutting opportunities and overlaps c. Directorates to review and recommend priorities d. Directorate Management Teams/Programme Gvnce Boards ratify decisions										
					5. Rigorous RM discipline embedded in all transformation programmes/projects, with escalation process to Directorate Management Teams / Programme Boards										

CORPORATE RISK REGISTER

Appendix 2

Version Date: August 2016

Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	**Risk Description**	**Trigger**	**Result**	**Owner**		**Probability**	**Impact**	**Score ***	**Description**	**Action Owner**	**Target Date**	**Revised Target Date**	**Action Status**		
					6. Integrated performance and resource reporting (monthly to GPC) a. Monthly progress against savings targets b. Corporate Scorecard monitors performance against priorities c. Budget holders monthly meetings with LGSS Finance Partner/External Grants Team, producing BCR d. Regular meetings with Director of Finance/s151 Officer, Committee Chairs and relevant Directors to track exceptions and identify remedial actions 7. Rigorous treasury management system in place plus ongoing tracking of national and international economic factors and Government policy 8. Limited reserves for minor deviations 9. Routine monitoring of savings delivery to identify any required interventions 10. Bi-annual Leaders and Chairs meeting and Cambridgeshire Public Service Board 11. Board Thematic Partnerships including the LEP and the Health and Well Being Board, commissioning task and finish groups 12. LGSS governance arrgts incl representation on SMT (Section 151 Officer)										
2	The quality, responsiveness and standard of LGSS Services fail to meet CCC requirements	1. LGSS resources available to support CCC are reduced as LGSS expands its customer base 2. Failure to manage LGSS service delivery to CCC	1. Support services to CCC are not provided in a timely, accurate and professional manner	CD CS&T	1. Joint Committee Structure incl CCC Cllr representation, LGSS Overview and Scrutiny Cttee, Chief Executive sits on LGSS Management Board 2. LGSS director representation on SMT to ensure LGSS meets current and future Council needs 3. LGSS Strategic Plan, Strategy Map and Improvement Activities identified 4. Programme Management arrangements in place to move forward workstreams 5. CCC performance management arrangements 6. LGSS performance management team 7. LGSS SLA's in place and regularly reviewed in detail 8. Corporate Director CS&T responsible for managing LGSS / CCC relationship	3	3	9	2. In depth reviews of the SLAs in the Council's contract with LGSS. Further information required by SMT prior to sign off for Audit and Risk Management, Learning and Development and Strategic Assets 3. In line with Action 2. Reviews of Finance Transactions and Health and Safety SLAs will be carried out from March 2016 for completion by August 2016	CD CS&T CD CS&T	May-15	~~Mar 16~~ ~~May 16~~ ***~~Jul 16~~*** ***Dec 16*** Aug-16	G G	Corporate Director, Customer Service and Transformation	Due to engagement and workshops required the original deadline has moved to allow for in depth reviews.
3	The Council does not have appropriate staff resources with the right skills and experience to	1. Ineffective recruitment outcomes 2. Ineffective planning processes 3. Unattractive terms and conditions of employment. 4. High staff turnover 5. Lack of succession planning to capture experience and knowledge 6. Increasing demand for services 7. Lack of trained staff 8. National pressures on the recruitment of key staff	1. Failure to deliver effective services 2. Regulatory criticism/sanctions 3. Civil or criminal action 4. Reputational damage to the Council 5. Low morale, increased sickness levels	DoPTT	1. Annual business planning process identifies staffing resource requirements 2. Children and Adults Workforce Strategy and Development plans with focus on recruitment and retention 3. Robust performance management and development practices in place. 4. Flexible terms and conditions of employment 5. Appropriate employee support mechanisms in place through the health and well being and counselling service agenda.	3	4	12	1. LGSS Management Board will review the workforce strategy as part of the Transformation Programme 2. Production of common training programme by OWD taken from service needs and compiled from PADP outcomes (annually) 3. Annual employee survey to feed into LGSS service improvement plans 4. Production of the County wide Organisational Workforce Development Programme ***~~5. Improved learning and development opportunities for all social care staff through the development of a virtual academy for social workers~~***	LGSS MB LGSS LGSS SAC&S HoP ***~~HoS WFD~~***	Jan-16 Sep-16 Nov-16 Jul-16 ***~~Apr-16~~***	~~Mar 16~~ Jul 16 ***~~Jun-16~~***	G G G G G	LGSS Management Board LGSS Service Assurance, Customers and Strategy Head of People	

CORPORATE RISK REGISTER

Appendix 2

Version Date: August 2016

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
	Details of Risk					Residual Risk			Actions						
	experience to deliver the Council's priorities at a time of significant demand pressures				7. Use of statistical data to shape activity relating to recruitment and retention				~~***6. Establish process to enable social care staff to rotate within social care roles***~~	~~***R&R TFG***~~	~~***May-16***~~		G		
					8. Workforce Strategy and Development Plan which is reviewed by LGSS Management Board on a quarterly basis.				~~***7. Create dashbaord to monitor recruitment and retention performance indicators to enable more robust monitoring***~~	~~***R&R TFG***~~	~~***Apr-16***~~	~~***Jul-16***~~	G		
					9. Extensive range of qualifications and training available to social care staff to enhance capability and aid retention.				***8. Deliver the Recruitment and Retention Action Plan***	***SD OP&MH***	***Mar-17***		G		
					10. Increased use of statistical data to shape activity realting to social care recruitment and retention.										
					11. ASYE programme ensures new social workers continue to develop their skills, knowledge and confidence.										
					12. Social care frontline managers support their own professional development through planning regular visits with frontline services.										
					13. Cross directorate Social Care Strategic Recruitment and Workforce Development Board and Social Work Recruitment and Retention Task and Finish Group proactively address the issue of social care recruitment and retention.										
4	The Council does not achieve best value from its procurement and contracts	1. ineffective procurement processes 2. Lack of awareness of procurement processes across the Council 3. Ineffective contract management processes 4. Untrained contract managers	1. Poor value for money 2. Legal challenge 3. Wasted time and effort in contractual disputes	DoLPG	1. Contract Procedure Rules and Procurement Best Practice Guidance and templates kept updated with changes in best practice	2	3	6	1. Audit reviews to provide assurance that individual managers have the appropriate skills and training	HIA	Mar-16	Mar-17	G	Head of Internal Audit	Included in the 2016/17 Audit Plan
					3. Procurement Training provided on a regular basis with differing levels targeted at specific audiences				2. Audit reviews to provide assurance on the effectiveness of contract management in selected contracts	HIA	Mar-16	Mar-17	G		Included in the 2016/17 Audit Plan
					4. Central Contract register maintained and access available to relevant Officers										
					5. Use of checklist (Summary Procurement Proposal) on all new procurement activity undertaken via central Procurement team. This includes a review of options to achieve optimal value and where feasible captures existing costs and new costs after the procurement.										
					6. Nursing and residential care purchased through central brokerage unit										
					7. Develop long term sustainable relationships with providers wherever appropriate (e.g. Home care contract)										
		1. Insufficient funding is obtained from a variety of sources, including growth funds, section 106 payments, community infrastructure levy and other planning contributions, to deliver required infrastructure . This is exacerbated by austerity measures and reduced government funding for local authorities 2. Significant reduction in school infrastructure funding in 2016/17 from £34m per annum to £4m	1. Key infrastructure, services and developments cannot be delivered, with consequent impacts on transport, economic, environmental, and social outcomes. This could also result in greater borrowing requirement to deliver essential infrastructure and services which is unsustainable.		1. Maximisation of developer contributions through Section 106 negotiations.				9. Assist service areas define their infrastructure needs to be pulled together within one document for use - the Cambridgeshire Infrastructure Plan led by the Joint Strategic Planning Unit.	HoTIPF	~~Spring 2015~~	~~Dec 15~~ ~~Early 2016~~ ~~May 16~~ Aug 16	G		
					2. Prudential borrowing strategy is in place.				10. Scope out potential for a more joined up approach to CIL and investment in infrastructure ***with ECDC and HDC***	HoTIPF	~~Spring 2015~~	~~Autmn 2015~~ ~~Mar 16~~ Sep 16	G		
					3. Section 106 deferrals policy is in place.				15. County Planning obligation strategy being developed for district's and CCC use.	HoGE	~~Dec-15~~	~~Apr 16~~ ~~***Jul 16***~~ ***Oct 16***	G		
					4. External funding for infrastructure and services is continually sought including grant funding.										
					5. Maintain dialogue with Huntingdonshire District Council and East Cambridgeshire District Council where Community Infrastructure Levy is in place to secure CIL monies for County Projects.									HoTIPF - Head of Transport Infrastructure Policy and Funding HoGE - Head of Growth and	

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: August 2016

Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	Risk Description	Trigger	Result	Owner		Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status		
9	Failure to secure funding for infrastructure			ED ETE ED CFA	6. Strategic development sites dealt with through S106 rather than CIL and S106. In dealing with sites through S106 alone, the County Council has direct involvement in negotiation and securing of developer contributions to mitigate the impact of a specific development. 7. County planning obligation strategy being developed for district's and CCC use in identifying community infrastructure needs. 8. Lobby with LGA over infrastructure deficit 9. On-going review, scrutiny and challenge of design and build costs to esnure maximum value for money. 10. Coordination of requirements across Partner organisations to secure more viable shared infrastructure. 11. Respond to District Council Local Plans and input to infrastructure policy at all stages of the Local Plan process. 12. Annual school capacity return to the Department of Education seeks to secure maximum levels of funding for basic need. 13. **Maintain** dialogue with Cambridge City Council and South Cambridgeshire District Council to input into Community Infrastructure Levy prior to adoption of the Local Plan (Adoption of CIL anticipated 2016)	4	4	16						Economy HoS - Head of Strategy SD S&C - Service Director, Strategy and Commissioning ED CFA - Exec Director, Children, Familes and Adults	

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: August 2016

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
Details of Risk						**Residual Risk**			**Actions**						
15	Failure of the Council's arrangements for safeguarding vulnerable children and adults	Children's Social Care: 1. Children's social care case loads reach unsustainable levels as indicated by the unit case load tool 2. More than 25% of children whose referral to social care occurred within 12 months of a previous referral 3. Serious case review is triggered Adult Social Care (inc. OPMH): 1. Care homes, supported living or home care agency suspended due to a SOVA (safeguarding of vulnaerable adults) investigation 2. Serious case review is triggered 3. Outcomes of reported safeguarding concerns reveals negative practice	1. Harm to child or an adult receiving services from the Council 2. Reputational damage to the Council	ED CFA	1. Multi-agency Safeguarding Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity	3	5	15	3. Investigating referral arrangements to ensure most effective arrangements are in place to the MASH - proposals to be reviewed and next steps decided by CFA management team	HoS FREDt	~~May-16~~	May-17	G	Service Director Adult Social Care	Complete for investigating referrals arrangements with education and are now moving to the health system
					2. Skilled and experienced safeguarding leads and their managers.				3. Investigating referral arrangements to ensure most effective arrangements are in place to the MASH - proposals to be reviewed and next steps decided by CFA management team	HoS FREDt	~~May-16~~	May-17	G	Service Director Children's Social Care	
					3. Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions monitor and instil safeguarding procedures and practice.				***~~4. Implementation of changes to safeguarding as required by the Care Act 2014 overseen by the Safeguarding Adults Board and the Transforming Lives/Care Act programme Board. Implementation began April 2015 in line with legislation and current guidance has been reviewed to respond to Care Act requirements including making safeguarding personal~~***	***~~SD ASC~~***	***~~Apr-16~~***	***~~Jun-16~~***	G	Head of Service First Response and Emergency Duty Team	In the process of bringing information and guidance into one document which has taken longer than anticipated due to bringing in the MASH and working with Peterborough
					4. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews.				6. Work is ongoing on resolving issues with CCG over jointly funded packages of support (CHC, section 41 and section 117). Further action will be taken if back payments cannot be secured.	SD OPMH	Sep-16		G		
					5. Multi Agency Safeguarding Hub (MASH) supports timely, effective and comprehensive communication and decisions on how best to approach specific safeguarding situation between partners.										
					6. Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance										
					7. Whistleblowing policy, robust Local Authority Designated Officer (LADO) arrangements and complaints process inform practice										
					8. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission										
					9. Joint protocols, practice standards and QA ensure appropriate joint management and case transfer between Children's Social Care and Enhanced and Preventative Services										
					10. Coordinated work between Police, County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the LSCB										
					11. Audits, reviews and training provided to school staff, governors and settings. All schools must have child protection training every 3 years. Education CP Service supports schools and settings with safeguarding responsibilities										
		1. Staff unaware of changes to legislative/regulatory requirements 2. Lack of staff training 3. Lack of management review	1. Adverse reports from regulators 2. Criminal or civil action against the Council 3. Reputational damage		1. LGSS legal team robust and up to date with appropriate legislation.								G		
					2. LGSS legal team brief Corporate Leadership Team on legislative changes								G		
					3. Service managers kept abreast of changes in legislation by the Monitoring Officer, Gov departments and professional bodies										
					4. Monitoring Officer role										

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Details of Risk						Residual Risk			Actions						
Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
20	Non compliance with legislative and regulatory requirements			CE	5. Code of Corporate Governance 6. Community impact assessments required for key decisions 7. Business Planning process used to identify and address changes to legislative/regulatory requirements 8. Constitutional delegation to Committees and SMT 9. H&S policy and processes 10. Testing of retained learning 11. Programme Boards for legislative change (e.g. Care Act Programme Board) 12. Training for frontline staff on new legislation 13. Involvement in regional and national networks in children's and adults services to ensure consistent practice where appropriate 14. CFA Strategy team support services with inspection preparation 15. Next Steps Board oversees preparation for Ofsted inspections of services for children in need of help and protection 16. Whistleblowing policy 17. Anti Fraud and Corruption Strategy incl Fraud Response Plan 18. Developed information and advice provision (an inspection handbook) 19. Developed an arrangement for disseminating legislative change to all directorates and services	2	4	8							
21	Business Disruption	1. Loss of staff (large quantities or key staff) 2. Loss of premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a supplier 5. Loss of utilities or fuel 6. Flu Pandemic	1. Inability to deliver consistent and continuous services to vulnerable people 2. School closures at critical times impacting students' ability to achieve 3. Inability to fully meet legislative and statutory requirements 4. Increase in service demand 5. Inability to respond to citizens' request for services or information 6. Lasting reputational damage	CD CST	1. Corporate and service business continuity plans	3	4	12	3. Project to establish 2nd LGSS data centre for resilience/backup of all systems, in addition to Scott House facility.	DoIT	Mar-13	~~Dec-15~~ Dec-16	G	DoIT - Director of Information Technology HoEP - Head of Emergency Planning	The second LGSS data centre is in Northampton and this is finished and it is connected but much more work is needed before this becomes the live failover site for CCC. Much of the new hardware and systems is on order and/or being installed now but they will keep using Scott House for some time to come
					2. Relationships with the Unions including agreed exemptions				13 Review of Corporate Business Continuity Plan.	HoEP	Jun-16	***Sep-16***	G		Work is underway on both the annual Corporate Business Continuity Plan Review and the Accommodation provision with it. In the light of experiences additional work is being undertaken as part of the overall process, The work will be due for completion in September 2016
					3. Corporate communication channels				14. Review of accommodation provision in business continuity plans with LGSS	HoEP	Jul-16	***Sep-16***	G		
					4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum (CPLRF)										
					5. First phase of IT resilience project including the increased alternative power/environment conditions in major machine rooms										
					6. Operational controls										
					7. Resilient Internet feed										
					8. Business continuity testing										
					9. CCC corporate BCP Group incl LGSS BC leads										
		1. Cambridgeshire Future Transport fails to deliver effective, efficient and responsive passenger transport services around Cambridgeshire	1. The accessibility needs of Cambridgeshire residents are not met, contributing to social exclusion, poor take up of employment and		1. A Governance group, including member representation from each of the districts, County, NHS, Cambridgeshire ACRE is in place to oversee the programme				***~~5. A14 Corridor, A1 Corridor/A14, Harston and Great Shelford:Tenders for services 400 and 401 are in the process of being awarded.~~***	***~~HoPT~~***	***~~Oct-15~~***	***~~Jan 16~~ ~~May 16~~ ~~July 16~~***	G		

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Details of Risk						Residual Risk			Actions						
22	The Cambridgeshire ~~***Future***~~ ***Total*** Transport programme fails to meet its objectives within the available budget		education opportunities, and reduced quality of life. 2. Failure to complete on time will mean business plan savings are not achieved.	DoSD	2. The Cambridgeshire Future Transport programme board consisting of representatives from ETE, CFA and Comms	3	3	9	~~***6. St Ives, Ramsey, Whittlesey, St Neots, Brampton, Isleham and Fordham: Tenders for services 21, 31, 46, 47 and 901-904 are in the process of being awarded.***~~	~~***HoPT***~~	~~***Sep-15***~~	~~***Jan 16***~~ ~~***May 16***~~ ***July 16***	G	HoPT - Head of Passenger Transport	
					3. Strategic business case, Risks and Issues Log and programme is in place.				~~***7. Chatteris, March, Wisbech, Gorfield, Leverington, Melbourn, Bassingbourn: Tenders for services 9, 35, 46 and 390 are in the process of being awarded. Community led timetables for the remaining services continue to be developed.***~~	~~***HoPT***~~	~~***Oct-15***~~	~~***Jan 16***~~ ~~***May 16***~~ ***July 16***	G		
					4. Communications strategy has been developed.				8. Review of Commisioning. The CFT Member Steering Group has been renamed the Total Transport Member Steering Group. The Group is holding monthly meetings to take forward work on improving commissioning and integration of all forms of passenger transport. The next meeting will consider papers on Terms of Reference, Total Transport Pilot Proposal, Scheduling Software and Business Planning.	HoPT	Mar-17		G		
					5. Engagement strategy including stakeholder mapping has been developed.								G		
					6. Bi-weekly project team meetings.								G		
					7. Updates are provided monthly for Members via Key Issues.								G		
					8. Two year programme in place for the review of the commissioning of services.										
23	Major Fraud or Corruption	1. Non compliance with the internal control framework and lack of awareness of anti-fraud and corruption processes. 2. Increased personal financial pressures on individuals as a result of economic circumstances	1. Reputational damage 2. Financial loss	CE	1. Financial Procedure rules	2	3	6	3. Implement anti bribery policy	HIARM	Mar-14	~~Dec-15~~ Mar16	A	HIARM - Head of Internal Audit and Risk Management	
					2. Anti Fraud and Corruption Strategy incl Fraud Response Plan				4. Fraud awareness campaigns	HIARM	Dec-15	Aug-16	G	HIARM - Head of Internal Audit and Risk Management	
					3. Whistle blowing policy										
					4. Codes of conduct										
					5. Internal control framework										
					6. Fraud detection work undertaken by Internal Audit										
					7. Awareness campaigns										
					8. Anti Money Laundering policy										
					9. Monitoring Officer/Democratic Services role										
					10. Publication of spend data in accordance with Transparency Agenda										
					11. New Counter Fraud Team established in LGSS										

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Details of Risk						Residual Risk			Actions						
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24	A lack of Information Management and Data Accuracy and the risk of non compliance with the Data Protection Act	1. Failure to equip staff and managers with the training, skills, systems and tools to enable them to meet the statutory standards for information management. 2. Failure to ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive and fit for purpose to enable managers to make confident and informed decisions.	1. Adverse impact on Council's reputation. 2. Adverse impact on service delivery, as unable to make informed decisions. 3. Financial penalties. 4. Increase in complaints and enquiries by the ICO. 5. Decisions made by managers are not appropriate or timely.	CD CST	1. Governance; SIRO, CIO, Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities (see below) Data protection registration requirements	3	3	9	6. Roll out of EDRM to manage the information lifecycle (including information standards). Task and finish group established to drive forward greater awareness raising and training	IM	Mar-13	Apr-17	G	IM - Information Manager	
					2. Policies: Data Protection, Freedom of Information, Information Security Incidents, Mobile Devices, Code of conduct, Retention schedules, IT security related policies (computer use, email), Information Management Strategy				7. Updated Information Asset Register	IM	Apr-17		G		
					3. Procedures: FOI, Subject Access Request Handling, Records Management, service level operational procedures,				8. Mapping data flows	IM	Apr-17		G		
					4. Tools: Encrypted laptops and USB sticks, secure email and file transfer solutions, asset registers (USB sticks, encrypted laptops) device control				~~***9. Develop implementation plan for new supplier of CFA Business Systems***~~	~~***HoS IM***~~	~~***Jun-16***~~		G	Project team is up and running. Member reference group set up	
					5. Training and awareness: Data Protection, information security, information sharing, Freedom of Information and Environmental Information Requests				11. Implementation of CFA social care Business Systems on new rationalized platform	HoS IM	Mar-18		G		
					6. Advice: Information Management advice service (IM, IG, RM, security), Information Management addressed via the Gateway project										
					7. Information asset catalogue/register - to catalogue all information assets which are managed by CCC										
					8. Information sharing protocols embedded internally and with partners										
					9. Audit/QA of accountabilities process										
					10. e-safety policy										
					11. Assurance monitoring - The SIRO and Information Management Board will receive a report as part of the Information Risk Management work package highlight any information risks across CCC. Details of any IG Security Incidents will be included in the IG Annual Update report to Senior Management team/ members.										
					12. Mapping Flows of Personal Confidential Data - To adequately protect personal information, organisations need to know how the information is transferred into and out of the organisation, risk assess the transfer methods and consider the sensitivity of the information being transferred.										
					13. Incident reporting - Damage resulting from potential and actual information security events should be minimised and lessons learnt from them. All information security incidents, suspected or observed, should be reported through the CCC Incident Reporting system and managed in line with the Incident Reporting Procedures and Integrated Risk Management Policy.										
					14. Intrusion or Perimeter Security including use of next generation hardware firewalls in several tiers, network traffic minotoring by Virgin Media Business, hardware appliances to check in bound mail traffic, spam filters and web content filtering on internet traffic and anti-virus software on the servers										
					15. Local device protection including anti-virus on individual devices (sourced from a different supplier to the anti-virus software on the servers), Microsoft tools to restrict users ability to modify or install software and all mobile devices are encrypted										
					16. Record all attempted attacks and have an established relationship with the local and regional cyber crime teams in the Police and have established links and information sharing with the national crime and intelligence agencies										
					17. Individual Services Business Continuity Plans.										
					18. LGSS IT Disaster Recovery Plan										
					19. LGSS IT service resilience measures (backup data centre, network re-routing).										
					20. Version upgrades to incorporate latest product functionality										
					21. Training for CFA Business systems prior to use										
					22. Information sharing agreement										
					23. Backup systems for mobile working										

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Risk No.	**Risk Description**	**Trigger**	**Result**	**Owner**		**Probability**	**Impact**	**Score ***	**Description**	**Action Owner**	**Target Date**	**Revised Target Date**	**Action Status**		
					24. Back up systems for CFA Business Systems										
26	Increasing manifestation of Busway defects	1. Failures of Busway bearings or movement of foundations continue and increase	1.Significant and ongoing costs to maintain the Busway or restricted operation of the Busway to the extent that it will no longer be attractive to operators or passengers.	ED ETE	1. Monitoring and inspection regime in place 5. Independent Expert advice has been taken confirming that the defects are defects under the Contract and that a programme of preventative remedial action is required and will be cheaper overall and less disruptive in the long run than a reactive response. 6. Legal Advice has been taken confirming that the defects are defects under the contract and that the Council has a good case for recovering the cost of correction from the Contractor 7. Retention monies held under the contract have been withheld from the Contractor and used to meet defect correction and investigation costs. 8. Funds have been set aside from the Liquidated Damages witheld from the Contractor during construction, which are available to meet legal costs 9. General Purposes Committee have resolved to correct the defects and to commence legal action to recover the costs from the Contractor 10. Initially defects are being managed on a case by case basis until the contractual issues are resolved, minimising impact on the public.	2	5	10	1. Survey and investigation work. Programme of investigation and surveys agreed with BAM Nuttall to better understand nature, cause and possible solutions to defects are complete. The results are being compiled and our independent experts will be producing a report. Other actions put on hold pending outcomes. ***Report to the General Purpose Committee.***	SD S&D ETE	Feb-16	***~~Jun 16~~*** ***Sep 16***	G	Service Director, Strategy & development, ETE.	
27	The pension fund has the potential to become materially under-funded	2. Contribution levels do not maintain the level of the fund 3. The longevity of scheme members increases 4. Government changes to pensions regulations 5. Volatility of financial markets 6. Change to tax threshold causing exceedingly high contribution 7. Shrinking workforce	1. Significant increases in revenue contributions to the Fund are necessary placing additional savings requirements on services	CFO	1. Governance arrangements including CCC Constitutional requirements and Pensions Committee including response to Hutton enquiry 2. Investment Panel work plan 3. Triennial valuation 4. Risk agreed across a number of fund managers 5. Fund managers performance reviewed on a regular basis by Pensions Committee 6. Opt in legislation 7. Review investment manager performance quarterly	3	5	15	1. Updated Funding Strategy Statement to be agreed as part of the 2016 triennial valuation process setting out the funding approach for secure, tax rising scheme emplyers such as CCC 2. An established approach to employer contributions to continue, recognising the secure nature of CCC and the long term nature of the pension liabilities. 3. Review strategic asset alloaction as part of valuation process	HoP HoP HoP	Dec-16 Mar-17 Mar-17		G G G	HoP - Head of Pensions	

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Details of Risk						Residual Risk			Actions						
					8. Ongoing monitoring of skills and knowledge of officers and those charged with governance										
29	Failure to address inequalities in the county continues	1. Impact of wider economic and social determinants, which may require mitigation through Council services. 2. Failure to target/promote services to disadvantaged or vulnerable populations, or in areas of deprivation, appropriately for local need.	1. Worsening inequalities between geographical areas and/or disadvantaged or vulnerable populations, including health, educational achievement, income.	CE	1. Council's business plan 2. Committee monitoring of indicators for outcomes in areas of deprivation (following full Council motion) 3. Joint Strategic Needs Assessment, Annual Public Health Report, and Joint Health and Wellbeing Strategy (Health inequalities) 4. Implementation of Health Committee Priority 'Health Inequalities' actions and targetting of Public Health programmes (health inequalities) 6. Child Poverty Strategy (income) 7. Targetted services e.g: Travellers Liaison, Traveller Health Team, Chronically excluded adults team etc. 9. Buy with confidence approved trader scheme. 10. Cambridgeshire Inequalties Charter 11. Wisbech 20:20 programme 12. Cambridgeshire 0-19 Education Organisation Plan 13. Cambridgeshire Older People Strategy	3	4	12	1. Implementation of health inequalities aspects of Joint Health and Wellbeing Strategy ***~~2. Deliver actions in Accelerating Achievement and School Improvement Strategies~~*** 3. Develop and agree a combined schools improvement and accelerating achievement strategy for 2016-2018	DoPH ***~~SD L~~*** SD L	Dec-16 ***~~Aug-16~~*** ***~~Sep-16~~***	 ***Oct-16***	G A G	DoPH - Director of Public Health DoCFA - Director and Children, Families and Adults SD L - Service Director Learning	
30	Failure to deliver Waste savings / opportunities and achieve a balanced budget	***~~Failure to: 1) deliver Household Recycling Service savings, 2) realise savings opportunities from waste contracts 3) manage operational risk of unforeseen contractual events~~*** ***1. Failure to realise Waste PFI contract opportunities (eg. Reduce cost of CLO and increase income from TPI) and manage operational risk of unforeseen contractual events (eg. Wet IVC waste) leading to significant budget pressures***	1.Savings not delivered and potential increased costs leading to significant budget pressures.	ED ETE	1. Strong contract management and close working with legal and procurement to reduce unforeseen costs where possible e.g. management of amount of waste going to landfill. Regular communication, exchange of information and decision-making at the Waste PFI Delivery Board. The Board provides focused management of issues, ensuring contract delivers as required. 2. The Waste PFI is in service delivery phase - the protection that is provided by the contract terms and conditions is in place. 3. Officers working closely with DEFRA, WIDP, Local Partnerships, WOSP and other local authorities 4. The contract documentation apportions some risks to the contractor, some to the authority and others are shared. 5. Clear control of the risk of services not being delivered to cost and quality by levying contractual deductions and controls if the contract fails or issues arise. 6. During the procurement process, the authority appointed a lead to negotiate risk apportionment. The results of the negotiation relating to financial risk are captured in the Payment Mechanism (schedule 26) and Project Agreement that form part of the legally binding contract documentation. 7. Waste PFI contractor investigating contract for Refuse Derived Fuel (RDF) option for Compost Like Output (CLO).	3	5	15	5. Review revised contract management arrangements after 3 months of implementation. 6. Deliver further contract management training if July review identifies a requirement. 7. Identify options for savings in collaboration with Amey and carry out trials where appropriate. 8. Resolve legacy issues in the round with discussions on savings and opportunities.	HoH&C HoH&C HoH&C HoH&C	Jul-16 Sep-16 Aug-16 Aug-16		G G G G	A&C - Assets and Commissioning	

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Details of Risk					**Key Controls/Mitigation**	**Residual Risk**			**Actions**					**Action Owner Acronyms explained**	**Comments**
31	Insufficient availability of affordable Looked After Children (LAC) placements	1. The number of children who are looked after is above the number identified in the LAC strategy action plan 2015-17 2. % LAC placed out of county and more than 20 miles from home as identified in CFA performance dashboard 3. The unit cost of placements for children in care is above targets identified in the LAC strategy action plan 2015 to 2017	1. Client dissatisfaction and increased risk of harm. 2. Reputational damage to the council. 3. Failure to meet statutory requirements. 4. Regulatory criticism. 5. Civil or criminal action against the Council	ED CFA	1. Regular monitoring of numbers, placements and length of time in placement by CFA management team and services to inform service priorities and planning 2. Maintain an effective range of preventative services across all age groups and service user groups 3. Looked After Children Strategy provides agreed outcomes and describes how CCC will support families to stay together and provide cost effective care when children cannot live safely with their families. 4. Community resilience strategy details CCC vision for resilient communities 5. CFA management team assess impacts and risks associated with managing down costs 6. Edge of care services work with families in crisis to enable children and young people to remain in their family unit	3	4	12	~~***1. Family based care - review placements and look at creative options to reunify child with family and reduce cost***~~ ~~***2. Reduce the number of external placements/ increase in-house fostering placements***~~ ~~***3. Lowering the cost of the most expensive placements***~~ ~~***4. Reducing the cost of external placements***~~ ~~***5. Develop in county provision for disabled young people***~~ ~~***6. Develop a dedicated policy for unaccompanied asylum seeker placements***~~ ***7. Deliver the actions in the LAC action plan to manage demand and costs***	~~***HoS CD***~~ ~~***HoS Corp Parenting***~~ ~~***HoS CES***~~ ~~***HoS CES***~~ ~~***HoS CD***~~ ~~***HoS FREDt***~~ ***SD CSC***	~~***Apr-16***~~ ~~***Jun-16***~~ ~~***Jun-16***~~ ~~***Apr-16***~~ ~~***Sep-16***~~ ~~***Apr-16***~~ ***Mar-17***	~~***Jun-16***~~ ~~***Jun-16***~~ ~~***Jun-16***~~	G G G G G G G	Head of Service Children's Disability Head of Service for Corporate Parenting Head of Commissioning Enhanced Services Head of Service First Response and Emergency Duty Team Service Director Children's Social Care	The LAC action plan will be updated at the LAC programme board at the end of May 2016, so won't be able to get new dates/updates until then so won't be ready in time for papers for A&A but should be able to get info for a verbal update
32	Insufficient availability of care services at affordable rates	1. Average number of ASC attributable bed-day delays per month is above national average (aged 18+) as identified by CFA performance dashboard 2. Delayed transfers of care from hospital attributable to adult social care as identified by CFA performance dashboard 3. Home care pending list	1. Client disattisfaction and increased risk of harm and hospital admission 2. Increase in delayed discharges from hospital 3. Reputational damage to the Council	ED CFA	1. Data regularly updated and monitored to inform service priorities and planning 2. Maintain an effective range of preventative services across all age groups and service user groups 3. Community resilience strategy details CCC vision for resilient communities 4. Directorate and CFA Performance Board monitors performance of service provision 5. Coordinate procurement with the CCG to better control costs and ensure sufficient capacity in market 6. Use of the benchmark rate to control costs of care homes 7. Market shaping activity, including building and maintaining good relationships with providers, so we can support them if necessary 8. Capacity Overview Dashboard in place to capture market position 9. Residential and Nursing Care Project has been established as part of the wider Older People's Accommodation Programme looking to increase the number of affordable care homes beds at scale and pace. 10. Business Case for Council owned Care Home 11. Delivered first phase of Early Help Offer for Adults and OP 12. Retendered the block purchase of care	5	3	15	4. Retender the main home care contract	HoS Procurement	~~***Jul-16***~~	***Oct-17***	G	Service Director Older People	

SCORING MATRIX (see Risk Scoring worksheet for descriptors)

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15

Risk Owners

CD CS&T - Sue Grace
CE - Gillian Beasley
DoPTT - Christine Reed
DoLPG - Quentin Baker

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MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT / LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

DoCPG - Quentin Baker
ED ETE - Graham Hughes
ED CFA - Adrian Loades
DoSD - Bob Menzies
CFO - Chris Malyon

RISK SCORING MATRIX

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT / LIKELIHOOD	**VERY RARE**	**UNLIKELY**	**POSSIBLE**	**LIKELY**	**VERY LIKELY**

Red scores - excess of Council's risk appetite – action needed to redress, quarterly monitoring
Amber scores – likely to cause the Council some difficulties – quarterly monitoring
Green scores – monitor as necessary

Descriptors to assist in the scoring of risk impact are detailed below

Likelihood scoring is left to the discretion of managers as it is very subjective

IMPACT DESCRIPTORS
The following descriptors are designed to assist the scoring of the impact of a risk:

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1.0m	<£5m	<£10m	>£10m
Service provision	(a) Insignificant disruption to service delivery	(a)Minor disruption to service delivery	(a) Moderate direct effect on service delivery	(a) Major disruption to service delivery	(a) Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries and/or instances of mistreatment or abuse of an individual for whom the Council has a responsibility	Serious injury and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the	Sustained negative coverage in local media or negative	Significant and sustained local opposition to the Council's policies

			comment in the local media	negative reporting in the national media	policies

Comparisons of Corporate Risk Registers

The East Midlands Risk Management Group (EMRMG) is a working group made up from the following organisations:

- Cambridgeshire County Council (CCC)
- Lincolnshire County Council (LCC)
- Hertfordshire County Council (HCC)
- Northamptonshire County Council (NCC)
- Milton Keynes Council (MKC)
- Rutland District Council (RDC)
- Norwich City Council (NoCC)
- Suffolk County Council (SCC)
- Warwickshire County Council (WCC)
- Leicestershire County Council (LeCC)
- East Northamptonshire District Council (ENDC)

Following on from the Audit & Accounts Committee Risk Training meeting held on 05/07/16 the Chairman asked for us to undertake a risk comparison exercise to compare other corporate risk registers to confirm that ours contained all the corporate risks; data from the Corporate Risk Registers (CRR) for each organisation who provided their CRR is collated below. The idea is to report on the common themes / findings for risk topics across the organisations and enable better reporting and benchmarking.

District / Organisation	Top risks	Common risks	Risk(s) on SRR
CCC	1) Failure to produce 5 year Business Plan 2) Failure to deliver current Business Plan 3) Standards of LGSS 4) People – staff / resources / skills 5) Best value from procurement and contracts 6) Failure to secure infrastructure funding 7) Safeguarding 8) Non compliance - legislative / regulatory requirements 9) Business Disruption 10) Total Transport programme fails to meet its objectives 11) Fraud and corruption 12) Lack of Information Management 13) Increasing manifestation of Busway defects 14) Pension Fund 15) Failure to address inequalities in the county 16) Failure to deliver Waste savings 17) Insufficient availability of affordable Looked After Children 18) Insufficient availability of care services at affordable rates	Business plans People Procurement Infrastructure Safeguarding Legislative /regulatory requirements Business Continuity Fraud Data Protection Pension Inequalities Waste Affordable LAC Care Services	18

LCC	1) Safeguarding children 2) Safeguarding adults 3) BC planning / LRF risk – pandemic flu / flooding etc 4) Market supply staff – live within budgets (Adult Care) 5) Projects – deliver our major projects 6) Budget constraints / future funding / financial resilience 7) Governance – including service delivery 8) People – staff / recruitment / retention in high risk areas 9) Strategic contracts – fit for purpose? 10) Information Governance – Agresso system / finance & HR 11) Cyber security – int & ext. threats / malware attack	Safeguarding BC plans Adult Care Projects Budget Governance People / staff Cyber crime	11
HCC	1) Structural changes to NHS commissioning 2) Over-reliance on regional or national resources or significantly reduced fire cover. 3) People – Staff /recruitment / skills 4) Insufficient money to support infrastructure needs 5) Safeguarding 6) Pension fund 7) Waste Treatment Programme being impacted 8) Non-compliance with the Care Act 2014 duties and customer dissatisfaction. 9) HCS care providers becoming inadequate resulting in the death or severe abuse of a client 10) An inability to conduct best interest assessments within legal timeframes 11) Residents or staff become radicalised or drawn into terrorism 12) Increased frequency of extreme weather events resulting from climate change – service delivery 13) Authority does not develop sufficient timely proposals to deal with the ongoing reductions in funding/resources 14) Insufficient skills in commissioning / contract management and competencies along with a lack of application of effective monitoring 15) Inadequate capital being made available from a number of funding streams 16) Reduction in government and external funding there is a risk of a gap - further reduce service spend 17) Better Care Fund pooled budget may not be sufficient to meet future demand for services 18) Staff are not fully competent in their roles, which could lead to the death, serious injury or harm to service users, members of the public or staff themselves 19) Failure of the Local Resilience forum to provide adequate inter-agency plans 20) Business Continuity Plans 21) Risk of legal challenge to County Council policies or decisions – reputational	People Infrastructure Safeguarding Pension fund Waste Non-compliance Legislation Terrorism Climate change Budget Capital funding Business Continuity Legal challenge Industrial action Cyber attack Fraud Data protection Sale value of assets Health & Safety	34

	22) Failure to comply with safe staffing legislation and agreed HCC policy and practice 23) Failure in road inspection and / or fault reporting procedures 24) Under investment there is a risk that road maintenance levels can not be maintained 25) Failure to meet national training requirements 26) Industrial action 27) Health Protection emergency such as a communicable disease epidemic, radiological, chemical or biological agent exposure, or extreme weather conditions 28) Sale value of assets for disposal 29) Risk of a cyber attack 30) Fraud and corruption 31) Data Protection 32) Schools (academy & community) may use a supplier without the relevant background checks 33) Risk of an H&S incident to persons or property which could give rise to H&SE action and a liability claim 34) Filing to retain our annual Public Sector Network accreditation		
NCC	1) Council does not effectively plan how to deliver services 2) The Council does not deliver its plans 3) People – Staff /recruitment / skills 4) Insufficient number and range of school places 5) Safeguarding 6) Key partnerships fail to deliver effective outcomes 7) Actual revenue spend is not in accordance with its approved budget 8) Failure to provide the asset infrastructure 9) Pension Fund 10) Failure to comply with legislative and regulatory requirements 11) Decisions being made on the basis of incorrect/unreliable, untimely information or not in accordance with prescribed procedures 12) Data Protection 13) Fraud and corruption 14) Supply Chain failure 15) Industrial action	Business plan People School places Safeguarding Partnerships Budget Infrastructure Pension fund Legislation Data protection Fraud Supply chain Industrial action	15
MKC	1) Medium term financial challenge 2) Organisational capacity 3) Planning for cohesive growth 4) Safeguarding	Budget Growth Safeguarding	4
RDC	1) People – staff / recruitment / skills 2) Balanced budget 3) Safeguarding 4) Long term failure to achieve educational attainment 5) Infrastructure to support growth 6) Failure to secure delivery of change required within Health and Social Care 7) Failure to manage the public's perception of the Council	People Budgets Safeguarding Education Infrastructure Change H&SC Perception Health & Safety	10

	8) Failure to protect the health and safety of employees and members of the public 9) Data Protection 10) Failure to successfully manage the transition to new Leadership of the Council	Data Protection Transition of the Council	
NoCC	1) Customer demand 2) Delivery of corporate plan 3) Safeguarding 4) Delivery of Joint Core Strategy (JCS). 5) Housing Investment Strategy 6) Public sector funding 7) Income generation 8) The council has a legal duty to ensure it has a prudent level of reserves to conduct its business 9) Capital developments 10) Business continuity 11) ICT Strategy 12) Information security 13) Fraud and corruption 14) Industrial action	Customer demand Business Plan Safeguarding Infrastructure Budget Business continuity ICT Data protection Fraud and corruption Industrial action	14
SCC	1) Failure to identify hazards and manage health & safety risks appropriately 2) Fraud and corruption 3) Failure to identify and deliver sufficient savings to offset the significant grant reductions 4) Failure by the Borough/District Councils to collect Business Rates and Council Tax 5) Failure to change the Council's organisational culture 6) Industrial action 7) The failure of 3rd party divestees could lead to properties possibly being returned to the Council, resulting in unplanned property costs. 8) Business continuity 9) A skills and knowledge gap in contract management 10) Failure of a business critical supplier 11) Data protection 12) The current financial climate coupled with the ensuing harsh economic environment could result in the Council making decisions which adversely affect protected groups, with damaging consequences for the Council's reputation. 13) Failure of the various initiatives undertaken by the Council under the banner of 'Localism and Our Place' 14) Failure of the 'Better Broadband for Suffolk' project to deliver superfast broadband 15) Failure to effectively manage the Corporate Transformation Portfolio 16) If devolution fails to deliver the local freedoms, flexibility and finance needed to generate growth and reform public services 17) Failure to secure funding from the Local Growth Fund or local financial contributions	Health and safety Fraud and corruption Budget Culture Industrial action Property costs Business continuity Skills gap in contract management Data protection Reputation Transformation portfolio Devolution Local Growth Fund Waste Welfare Reform Asylum applications Living Wage Vulnerable Syrian refugees Education Grant funding Inspections Safeguarding People	35

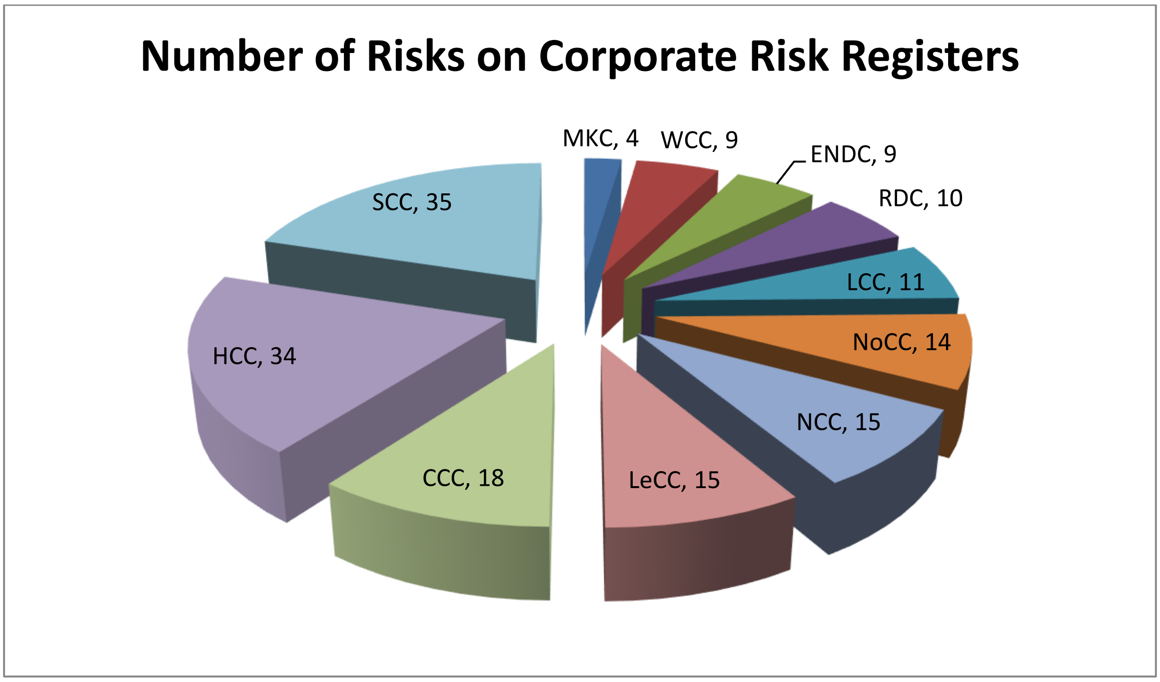
	18) Failure to secure funding from the Local Growth Fund 19) Cost of the County Council's duty to dispose of domestic waste 20) The introduction of Welfare Reform could see the County Council experience an increase in referrals for support 21) Failure to achieve savings above existing QIPP (Quality, Innovation, Productivity and Prevention) programme savings 22) As the UK accepts asylum applications from some of the most vulnerable Syrian refugees this could cause additional financial pressures on ACS 23) Insufficient capacity in the homecare market to meet all social care and continuing health care 24) National legislation around the Living Wage will come into force in April 2016 which will impact on revenue costs and provider costs leading to an overall increase in the costs of care. 25) There is a risk that the Syrian refugee crisis will lead to increased demand on a range of children's services. 26) There is a risk that reduced grant funding for local authorities could lead to significant cuts in children's services 27) There is a risk that education standards do not increase sufficiently 28) There is a risk that partners cut their services or commission in silos leading to fragmentation and increased demand for our services 29) There is a risk that Inspection of CYP services judges us as inadequate 30) There is a risk that our participation and youth employment strategies do not deliver the expected improvements 31) Safeguarding 32) There is a risk that we fail to manage school places accurately 33) There is a risk that the School Organisation Review is not completed in line with requirements 34) There is a risk that increasing numbers of pupils means we cannot provide suitable local schools 35) People – recruitment / skills / resources		
WCC	1) Budget 2) Continuing pressure on Adult Social Services and Health 3) Safeguarding 4) regional partnership working fail to deliver optimum economic benefits 5) Inability to sustain risk critical fire and rescue functions 6) Business continuity 7) Ensuring sufficient provision of school places across the County 8) Meeting statutory requirements to drive improvement across all schools in the County 9) Data protection	Budget Safeguarding Partnerships Business Continuity School places Legislative / statutory requirements Data Protection	9

LeCC	1) Ability to deliver savings through Service Redesign / Transformation 2) If S106 monies for the Council as a whole are not managed properly then there could financial risks as well as legal challenges 3) Social Care - If the number of high cost placements increases then there may be significant pressures on the children's social care placement budget, which funds the care of vulnerable children 4) Education - If the provision of support to high needs pupils (including SEN placements) continues to increase, then the budget will be impacted upon 5) Care Act 2014 - Funding risk for 2016/17 and beyond 6) Health and social care economy's 5 year plan and strategic outline (investment) case 7) Transferring patients early from UHL to ICRS 2 community services 8) LCC and partners do not have the capacity to meet expected increase in demand caused by the Welfare Reform Act 9) Business continuity 10) Data protection 11) ICT disruption 12) Data protection 13) If partners do not provide data (Phase 2) then it may not be possible to achieve improved outcomes and financial benefits of Supporting Leicestershire Families (SLF). 14) If the Authority does not obtain the required value and level of performance from its providers and suppliers then the cost of services will increase and service delivery will be impacted 15) Safeguarding	Budgets Legislative / statutory requirements Care Act 2014 Business Plan Increase in demand Business continuity Data Protection Safeguarding	15
ENDC	1) Failure to maintain effective relationships with partners 2) Growth of district is poorly managed 3) Anticipated level of growth in district is not achieved 4) Ineffective training in key areas 5) Loss due to major court cases 6) Lack of engagement with and provision of services by the Voluntary and Third Sector 7) Contractor non-compliance with health and safety legislation 8) Failure of core ICT infrastructure leading to inability to provide statutory services 9) Lack of staff resources in terms of numbers and/or knowledge skills and behaviour	Partnerships Growth Training Legislation ICT Infrastructure People	9

Analysis of common themes / risks:

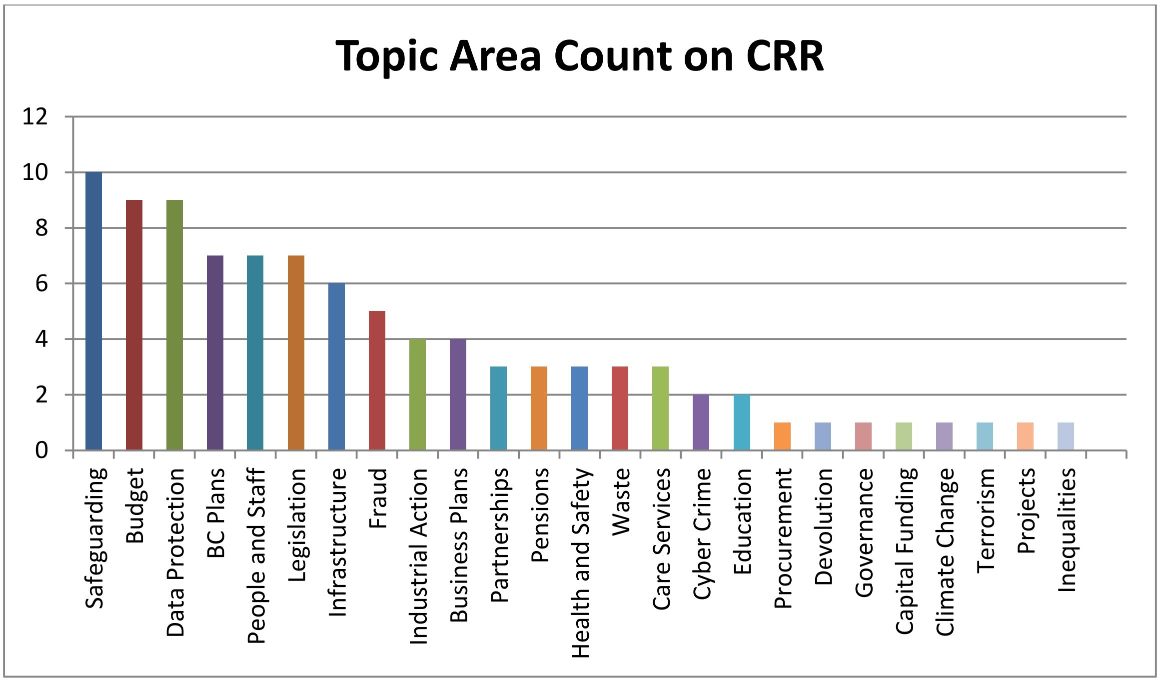
The amount of risks on each Corporate Risk Register ranged from 4 (Milton Keynes Council) to 35 (Suffolk County Council).

District / Organisation	Number of SRR Risks
MKC	4
WCC	9
ENDC	9
RDC	10
LCC	11
NoCC	14
NCC	15
LeCC	15
CCC	18
HCC	34
SCC	35



Common topic areas across the range of EMRMG participant's Corporate Risk Registers are as follows:

Common topic	Count	**Common topic**	Count
Safeguarding	10	**Waste**	3
Budget	9	**Care Services**	3
Data Protection	9	**Cyber Crime**	2
BC Plans	7	**Education**	2
People / Staff	7	**Procurement**	1
Legislation	7	**Devolution**	1
Infrastructure	6	**Governance**	1
Fraud	5	**Capital Funding**	1
Industrial Action	4	**Climate Change**	1
Business Plans	4	**Terrorism**	1
Partnerships	3	**Projects**	1
Pensions	3	**Inequalities**	1
H&S	3		



As can be seen from the above chart, Safeguarding was the most common theme across all the Corporate Risk Registers that have been reviewed. In equal second place were the topics of Budgets and Data Protection closely followed by Business Continuity Plans, People and Staff and Legislation related topic areas. From this comparison Cambridgeshire County Council can be confident that their current CRR contains the majority of the risks from the other CRR reviewed. There are several risks on the other risk registers that solely relate to the individual organisation likewise with our Guided Busway risk.

Agenda Item No.

TITLE INTERNAL AUDIT PROGRESS REPORT

To: **Audit & Accounts Committee**

Date: **20th September 2016**

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

1. PURPOSE

1.1 To report on the main areas of audit coverage for the period 1st June 2016 to 31st August 2016 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 2016/17 Audit Plan was approved by the Committee on 15th March 2016.

2.3 The Committee is requested to consider the contents of this report.

background papers: included in appendices

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LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Quarterly update report

Q2

As at 31st August 2016

Section 1

1. FINALISED ASSIGNMENTS

1.1 Since the previous Progress Report to the Audit and Accounts Committee in July 2016, the following audit assignments have reached completion as set out below in table 1:

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Cross-Cutting (CCC-wide)	Overtime Compliance	Good	N/A	Minor
2.	Economy, Transport & Environment	Local Sustainable Transport Fund Grant	Grant verification provided		
3.	Economy, Transport & Environment	Arts Grant (Museum Resilience Fund)	Grant verification provided		
4.	Economy, Transport & Environment	Disabled Facilities Grant	Grant verification provided		
5.	Economy, Transport & Environment	Local Growth Fund Grant	Grant verification provided		
6.	Children, Families & Adults (CFA)	Troubled Families Grant	Grant verifications provided		
7.	Customer Service & Transformation	Quality Assurance Task & Resource Mapping	Report provided to management		
8.	Key Financial Systems	Pensions	Substantial assurance		
9.	Key Financial Systems	IT General Controls	Substantial Assurance.		
10.	CFA - Schools	Histon Early Years – Safe Recruitment	Limited assurance		
11.	CFA - Schools	Harbour School – Schools Financial Risks	Limited assurance		

12.	CFA - Schools	Ely St Johns School – Schools Financial Risks	Good assurance

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

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

Table 2: Draft/Interim Reports

No.	Directorate	Assignment
1.	Cross-Cutting	Scheme of Delegation
2.	Children, Families & Adults	Community-Based Appointeeships
3.	Children, Families & Adults	Residential Appointeeships
4.	Downham Feoffees School	Schools Financial Risks
5.	Foxton School	Schools Financial Risks
6.	Granta School	Schools Financial Risks
7.	Kings Hedges School	Schools Financial Risks
8.	Linton Infants School	Schools Financial Risks
9.	Morley Memorial School	Schools Financial Risks
10.	Somersham School	Schools Financial Risks
11.	St Helen's School	Schools Financial Risks
12.	Stukeley Meadows School	Schools Financial Risks
13.	Thorndown School	Schools Financial Risks
14.	Wheatfields School	Schools Financial Risks

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

Section 3

2. FRAUD AND CORRUPTION UPDATE

2.1 COUNTER FRAUD AWARENESS:

The LGSS Internal Audit Counter Fraud Team has been working with the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre to develop a campaign to raise awareness of the issue of fraud and how to report any concerns.

This includes a refresh of the Council's current Fraud Awareness posters, which encourage members of staff to blow the whistle on fraud. The posters have been redesigned with support from the CIPFA Counter Fraud Centre, and the poster campaign at Cambridgeshire County Council (CCC) will be used as an example of CIPFA-recommended good practice.

In addition to the poster campaign, a new page has now been launched on the Council's intranet which explains how to report fraud and provides advice on warning signs to look out for. Awareness will also be raised through posts on the Council's Daily Blog and in service/departmental newsletters.

2.2 IMPLEMENTATION OF CIVICA:

The LGSS Internal Audit Counter Fraud Team has now implemented CIVICA, a specialist fraud management system. This system enables the team to meet Data Protection Act and Criminal Procedure and Investigations Act requirements in their work, as well as ensuring improved management reporting. All investigations that have been opened since the start of the financial year are now recorded on this system; in total, 47 referrals have been received.

2.3 CURRENT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit and HR teams is provided below. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit, and disciplinary investigations which are led by Human Resources (HR).

The vast majority of the Internal Audit investigation cases relate to pensions where payments have been suspended for reasons that are considered 'high-risk' for fraud, such as bank account changes, returned post etc., as opposed to where an allegation of fraud has been received. The team are working with the Pensions service to resolve these suspended cases, and as at the end of August, 16 have been closed.

Type	No. cases	Outcomes
Theft Investigation	1	Ongoing
Blue Badge misuse	1	Closed – advice given
Bus Pass misuse	2	Referred to the police
Pensions – high risk suspended payments	42	Ongoing (16 closed to date)
School Insurance	1	Closed – advice given
Disciplinary	10	Open/Ongoing
Grievance	8	Open/Ongoing
Performance	8	Open/Ongoing
Whistleblowing	1	Open/Ongoing
Attendance Management	86	Open/Ongoing

Section 4

4 IMPLEMENTATION OF MANAGEMENT ACTIONS

4.1 The outstanding management actions as at May 2016 are summarised in Table 3, which includes a comparison with the percentage implementation reported at the previous Committee (bracketed figures).

Table 3: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Implemented	27	100% (100%)	46	75% (92%)	73	83% (94%)
Actions due within last 3 months, but not implemented	0	0% (0%)	11	18% (7%)	11	13% (5%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	4	7% (2%)	4	4% (1%)
Totals	27		61		88	

4.2 There are currently no outstanding fundamental recommendations.

4.3 A summary of the outstanding significant recommendations, and the current progress with implementing them, is provided at Appendix B. The majority of these outstanding actions relate to a review of Deputyships, and senior management are currently finalising an action plan to address this.

5. SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

N/A – no such audits have been issued this quarter.

6. OTHER AUDIT ACTIVITY

In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas.

6.1 TRANSFORMATION PROGRAMME

The Internal Audit team has worked with senior management to conduct a review of the Internal Audit Plan 2016/17, to ensure that it is aligned with the transformation programme currently underway at Cambridgeshire County Council. A revised plan was presented to Strategic Management Team (SMT for discussion on the 12th August. Audits that were already in the 2016/17 Plan were reviewed, to identify where they could be more closely aligned to the themes of the Transformation Plan, and a number of new audits were added to the Plan. These reviews are focused on the transformation programme, particularly on benefits realisation reviews, and time has also been set aside to provide support to the Corporate Capacity Review and transformation programme as a whole.

When the 2016/17 Audit Plan was set, it was designed to include contingency for additional reviews to be added in-year as new risks emerge, and time was set aside for the Transformation Programme; this means that it has been possible to make these changes without cancelling planned audits.

The final agreed plan is presented below at Appendix A.

6.2 IMPLEMENTATION OF GALILEO

LGSS Internal Audit is currently working on the pre-implementation of the Galileo audit management, documentation and reporting system. This system is currently in use at the Milton Keynes office and an updated version will be rolled out across the LGSS offices. This will enable effective electronic and agile working, and improved automation of performance reporting and management information.

Staff from the Cambridgeshire office have now attended three design workshops to ensure that the configuration of the new system will meet the requirements of the Cambridgeshire team. A training day on the system is being held on the 29th August and two team members from each office will receive full system training; they will then train colleagues in turn.

The system will be rolled out to the Milton Keynes office during October 2016 and they will act as a trial site for the new system. The Internal Audit team are currently liaising with IT across all three sites to identify a roll-out schedule for Cambridgeshire and Northamptonshire; currently the intention is that this system will be rolled out to Cambridgeshire by the start of the new financial year in April 2017.

APPENDIX A

CCC INTERNAL AUDIT PLAN 2016/17

Audit Title *as per APACE*	**Status** (drop-down)	**Directorate** (drop-down)	**Qtr Opened**	**Qtr Closed**	**Plan Days**
TRANSFORMATION PROGRAMME					
Following the Money Strategy	Not Started	Cross-Cutting	Q3		20
Transformation Programme	Not Started	Cross-Cutting	Q2		10
Corporate Capacity Review	Ongoing	Cross-Cutting	Q2		10
Procurement, Contracts & Purchasing (V4)	Ongoing	Cross-Cutting	Q1		20
QA Task & Resource Mapping	Closed	Cross-Cutting	Q2	Q2	5
Corporate Policy Statements	Not Started	Cross-Cutting	Q2		20
Partnerships Framework	Open	Cross-Cutting	Q2		5
Transformation Programme - Benefits Realisation	Not Started	Cross-Cutting	Q3		15
Business Planning Compliance	Not Started	Cross-Cutting	Q3		15
MAKING EVERY PENNY COUNT					
Client Contributions	Open	CFA	Q1		20
Traded Services - Cost Recovery	Open	Cross-Cutting	Q2		20
VAT - Compliance	Open	Cross-Cutting	Q1		20
Review of Procurement - Compliance	Not Started	Cross-Cutting	Q2		10
Overtime - Compliance	Closed	Cross-Cutting	Q1	Q2	20
Travel & Subsistence - Compliance	Open	Cross-Cutting	Q2		20
KEY FINANCIAL SYSTEMS					
Accounts Receivable	Not Started	Cross-Cutting	Q4		15
Purchase to Pay	Not Started	Cross-Cutting	Q4		20
Payroll	Not Started	Cross-Cutting	Q4		25
General Ledger	Not Started	Cross-Cutting	Q4		10
Bank Reconciliation	Not Started	Cross-Cutting	Q4		5
Treasury Management	Not Started	Cross-Cutting	Q4		5
Financial Systems IT General Controls	Not Started	Cross-Cutting	Q4		10
Risk Management	Not Started	Cross-Cutting	Q3		5
Procurement Governance	Not Started	Cross-Cutting	Q2		20
Debt Recovery	Open	Cross-Cutting	Q1		20
GRANT VERIFICATION					
Local Transport Capital Block Funding	Open	ETE	Q2		5
Local Sustainable Transport Fund	Closed	ETE	Q1	Q2	5

Cycle City Phase II	Not Started	ETE	Q2		5
Public Health Grant	Open	PH	Q2		5
Troubled Families Grant	Ongoing	CFA	Q1		20
Disabled Facilities Grant	Closed	CFA	Q2	Q2	2
Bus Services Operators Grant	Open	ETE	Q2		5
Arts Grant	Closed	ETE	Q1	Q2	5
Local Growth Fund Grant	Closed	ETE	Q2	Q2	5
COMMISSIONING & CONTRACTS					
Schools Capital Programme	Not Started	CFA	Q2		20
Skanska Highways	Ongoing	ETE	Q1		20
Highways Contract Transformation	Ongoing	ETE	Q1		25
Waste PFI Contract	Ongoing	ETE	Q2		25
Street Lighting PFI	Open	ETE	Q1		15
Off-Contract Spend	Open	Cross-Cutting	Q2		15
Commissioning	Not Started	Cross-Cutting	Q3		15
Contract Management	Not Started	Cross-Cutting	Q3		15
RISK-BASED AUDITS					
Section 106	Open	ETE	Q1		20
Total Transport Pilot	Open	ETE	Q1		20
Replacement of AIS System	Open	CFA	Q1		20
Commitment Records in CFA	Open	CFA	Q1		20
Public Health Joint Intelligence Unit*	On Hold*	PH	Q1		15
Quality Assurance	Open	CFA	Q1		15
Appointeeships	Open	CFA	Q1		20
Blue Badges	Closed	CST	Q1	Q1	0
Residential Care Homes Project	Ongoing	CFA	Q1		10
Property Portfolio Development Project	Ongoing	Cross-Cutting	Q1		10
Other Risk-Based Audits	Not Started	Cross-Cutting			8
POLICIES & PROCEDURES					
Financial Regulations	Not Started	Cross-Cutting	Q3		5
Contract Procedure Rules	Not Started	Cross-Cutting	Q2		5
Business Continuity Policy	Not Started	Cross-Cutting	Q3		5
Scheme of Delegation	Closed	Cross-Cutting	Q2	Q2	5
Information Governance Policies	Not Started	Cross-Cutting	Q3		10
Code of Conduct and Behaviour Policies	Not Started	Cross-Cutting	Q2		5
Risk Management Policy	Not Started	Cross-Cutting	Q3		5
Enforcement Policy	Not Started	Cross-Cutting	Q2		5
COMPLIANCE					
Direct Payments - Compliance	Not Started	CFA	Q4		15

Duplicate Payments - Compliance Follow-Up	Not Started	Cross-Cutting	Q3		5
Fees and Charges Compliance	Open	Cross-Cutting	Q2		10
Grants to Voluntary Organisations - Compliance	Open	Cross-Cutting	Q2		15
Agency Staff - Compliance	Open	Cross-Cutting	Q2		15
Unannounced Visits - Compliance	Open	Cross-Cutting	Q2		20
Key Performance Indicators - Compliance	Open	Cross-Cutting	Q1		15
Scheme of Delegation - Compliance	Open	Cross-Cutting	Q2		15
Use of GPC - Compliance	Open	Cross-Cutting	Q2		15
Contract Extensions - Compliance	Open	Cross-Cutting	Q3		15
EU Procurement Regulations - Compliance	Open	Cross-Cutting	Q2		20
ICT AND INFORMATION GOVERNANCE					
Information Security	Not Started	CST	Q3		15
Records Management - ICO	Closed	CST	Q1	Q1	5
Agresso ERP	Not Started	Cross-Cutting	Q2		10
General Computer Controls	Not Started	Cross-Cutting	Q4		20
SCHOOLS					
Schools Financial Risks	Open	CFA	Q1		30
Safe Recruitment	Open	CFA	Q1		30
Schools (Other)	Not Started	CFA	N/A		60
Schools Advice & Training Sessions	Ongoing	CFA	N/A		5
ANTI-FRAUD AND CORRUPTION					
Preventative & Pro-Active Fraud Work	Ongoing	Cross-Cutting	N/A		10
National Fraud Initiative	Open	Cross-Cutting	Q2		30
St Luke's Working Party	Open	CFA	Q1		10
Fraud Investigations	Ongoing	Cross-Cutting	Q1		125
GOVERNANCE, RISK MANAGEMENT & OTHER					
Annual Governance Statement/CoCG	Closed	Cross-Cutting	Q1	Q1	15
Assurance Framework	Closed	Cross-Cutting	Q1	Q1	10
Risk Management	Ongoing	Cross-Cutting	N/A	N/A	75
FOI requests	Ongoing	Cross-Cutting	N/A	N/A	0
Advice & Guidance	Ongoing	Cross-Cutting	N/A	N/A	50
Follow-Ups of Agreed Actions	Ongoing	Cross-Cutting	N/A	N/A	40
Committee Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Management Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Audit Plan	Ongoing	Cross-Cutting	N/A	N/A	25
Operational Plan Total - 2016/17					**1550**

* The planned review of the Public Health Joint Intelligence Unit is currently on hold at the request of the Director of Public Health, as development of the Joint Intelligence Unit has been delayed by the ongoing Corporate Capacity Review.

APPENDIX B

SUMMARY OF OUTSTANDING SIGNIFICANT & FUNDAMENTAL RECOMMENDATIONS

Audit	Risk level	Summary of Recommendation	Target Date	Status
Central Library Enterprise Centre Review	M	**Options Appraisal, Market Research & Procurement:** Development of guidance relating to options appraisals and market research as part of a review of project management methodology.	1/2/16	Development of new project management guidance has been delayed due to the Corporate Capacity Review which incorporates a complete review of current project management resource and structures. Implementation of these actions is being taken forward as part of this review and the next follow-up report will be brought to Audit & Accounts Committee in January 2017.
	M	**Engagement with Members:** Updated guidance to be included in the review of project management methodology around member oversight and engagement with the development of major projects; providing sufficient information on proposed partner organisations; and keeping local Members informed about matters affecting their divisions.	1/2/16	
	M	**Public Consultation:** Updated guidance to be included in the review of project management methodology around planning for public consultation and gaining appropriate input from Members.	1/2/16	
	M	**Business Cases:** Updated guidance to be included in the review of project management methodology around producing robust individual business cases for all projects.	1/2/16	
Home to School Transport	M	**Risk Register:** Home to School Transport safeguarding risk to be formally and clearly recognised within the CFA Risk Register.	30/6/16	This action had been overlooked by the service, who have confirmed that this will be complete by 30/9/16. Audit have seen evidence of work to action

				this.
Direct Payments	M	**Direct Payment Agreements:** The Direct Payment Agreement form to be amended to incorporate a number of key recommendations from the audit, to enable improved monitoring and challenge over the use of Direct Payment monies.	30/6/16	The service has developed both sets of documents, but upon review by Internal Audit it was felt that these did not fully address all aspects of the audit recommendations. Feedback has been provided and we are waiting to see the updated documents.
	M	**Suspected fraud or misuse:** Written guidance procedure to be creating, giving the steps to be undertaken by Direct Payments Monitoring Officers and Social Workers in the event of suspected fraud or misuse of Direct Payments.		
Vulnerable Clients' Monies Management (Deputyships)	M	**Written Procedures:** A complete set of written procedures will be drawn up for Deputyships Officers.	1/7/16	8 of the outstanding recommendations relate to a review of Vulnerable Clients Monies Management. Internal Audit has been working with the service to ensure that the risks identified by the review are addressed; however although some progress has been made against some of these actions, none have been fully implemented. Senior Management are currently in the process of developing an action plan which will ensure that all outstanding actions relating to this review are addressed, and Internal
	M	**Receipts, financial records, fraud risk:** A procedure will be developed by the team for the review of receipts and financial records.	1/7/16	
	M	**Tax Returns & Capital Gains Tax:** Guidance will be created for Deputyships Officers on the instances when they need to consider whether a service user may owe tax, and a review will be undertaken of all clients to identify those who need to submit annual tax returns.	1/7/16	
	M	**Inventories and House Clearances:** An inventories and house clearance procedure will be developed and the team will undertake a competitive procurement exercise for the contract for house clearances.	1/7/16	

	M	**Investment of Assets:** A review of client savings accounts will be undertaken to establish the current savings values for clients and the level at which investment in high-interest accounts will be considered. The team will establish options for investment of high-value client assets and develop a procedure for financial planning.	1/7/16	Audit will complete a follow-up audit in the 2017/18 financial year to verify that all the risks have been addressed.
	M	**Liaison and Interface with Social Care:** Review and update the *Court of Protection Deputyship: General Principles and Operating Procedures* guide in conjunction with representatives from Social Care and re-issue.	1/7/16	
	M	**Updating Guidance Documents:** A comprehensive review and update of the guidance relating to Deputyships; Appointeeships; and Handling Clients' Finances.	1/7/16	
	M	**Distribution of Guidance and Training:** Guidance documents will be updated as per the above and distributed to social care staff, promoted and shared more widely with relevant partners. The current Mental Capacity Act Training will be updated.	1/7/16	

DRAFT AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2015

To: **Audit and Accounts Committee**

Date: **20th September 2016**

From: **Duncan Wilkinson, LGSS Head of Audit and Risk Management**

Electoral Division(s): **All**

1. PURPOSE

1.1 To present the current draft Audit & Accounts Committee Annual report 2015 – 16.

2. BACKGROUND

2.1 The Audit and Accounts Committee issue an annual report to the Council, detailing their activities during the year. This report will be presented to the November 2016 meeting of Full Council.

RECOMMENDATION:

2.2 The Committee is requested to comment on the draft report attached..

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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 eight times in 2015/16. 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 During 2015/16, Internal Audit carried out 37 audit reviews, 21 schools audits, 15 investigations and 8 grant certifications, as well as providing embedded advice and support to a number of projects, including the Highways Transformation Programme.

1.6 In total, during the year Internal Audit made 73 recommendations considered to be 'significant' or 'fundamental'. Throughout the course of the year, 80 actions which were considered to be 'significant' or 'fundamental' were implemented by management. 8 'significant' actions were still outstanding at the end of the year, which represents a significant reduction in outstanding actions compared to 2014/15, when there were 29 recommendations yet to be implemented at year end.

1.7 Of the 8 outstanding actions, 7 related to the Central Library Enterprise Centre review, and were outstanding due to their dependencies on the current Corporate Capacity Review; the final outstanding 'significant' action related to a review of Traded Services. The Committee has been proactive in following up on these outstanding actions; for more information see below.

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 Central Library Enterprise Centre (CLEC)

2.1.1 On the 21st July 2015, Full Council passed a motion agreeing that this Committee should undertake a review of the process by which CLEC proposals had emerged and were developed, in order to identify recommendations on how the process could be improved.

2.1.2 The Committee made the recommendation that this report was researched and produced by Internal Audit, with the exception of the section on Spokes which was deemed too "political" and was compiled by the Chairman. Key recommendations to improve processes were identified as a part of this review and were based around seven key areas: Commercial proposals protocol; confidentiality; project management; options appraisals, market research and procurement; engagement with members; public consultation and business cases. The subsequent report documenting these findings was unanimously approved by Full Council on the 13th October.

2.1.3 The delivery of these actions has been underway since the report was issued, and updates on the implementation of these improvements have been a standing item on the Committee's agenda. Some actions have been delayed due to the ongoing Corporate Capacity Review; this review provides an opportunity for a thorough assessment of the Council's current project management processes, and the outstanding recommendations from the CLEC review are being incorporated into the review with Internal Audit support. The Committee is continuing to monitor implementation of these actions in 2016/17, and the next update report is planned for January 2017.

2.2 Safe Recruitment in Schools

2.2.1 Safe Recruitment in Schools has been a key area of focus for the Committee in 2015/16. Committee meetings in September, November and March received progress updates from the Schools Partnership

Service on work undertaken to improve schools' compliance with safe recruitment policies and legislation. This has included safer recruitment training by Governor Services which was heavily subscribed and resulted in additional courses being put on, and visits carried out by Education Advisors to all of the County's schools as well as those academies which purchase the County's Safeguarding service.

2.2.2 Internal Audit reviews of Safer Recruitment in schools during 2015/16 were targeted towards schools which were considered to be high-risk. The results from the fifteen schools which were reviewed bore out this assessment and consequently the Committee has requested a follow-up report from the Learning Directorate, which will be brought to the November 2016 meeting, and will outline the work that will be undertaken going forward to further improve compliance.

2.3 Home to School Transport

2.3.1 The Committee has maintained a focus on Home to School Transport throughout the year, following a £1m overspend on this service in 2014/15. In November, the Chairman met with the Director of Learning to discuss the budget and gain assurance over the arrangements to ensure accurate estimates of demand going forward. The Chairman of the Total Transport Board was also invited to attend the March Committee meeting to update Members on progress in relation to developments aimed at reducing transport costs and integrating transport provision more widely across the County Council.

2.3.2 In March the Committee received an Internal Audit report into Home to School Transport which identified a number of issues in respect of the safeguarding arrangements for the service, and particularly the penalties imposed on operators for breaching key safeguarding controls, which were less than those imposed for excessive late running. Given the potential safeguarding risk identified, the report was issued with a designation of major organisational impact, and the Committee responded by requesting that Education Transport Services bring a report to the June 2016 meeting regarding the policing arrangements for contractual compliance for Home to School Transport.

2.3.3 The June report provided assurance that agreed actions were on the way to being implemented, and Internal Audit will be following up on this further and reporting back to Committee in 2016/17, to confirm that the risks have been addressed.

2.4 Risk Management and the Risk Register

2.4.1 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.

2.4.2 The Committee has received four risk management reports throughout the year alongside the Corporate Risk Register. The Committee has the opportunity to query individual risks within the risk register, which are then reported back to the Corporate Risk Group and Senior Management Team (SMT) for further review. In particular, during 2015/16 the Committee raised queries regarding the recording of risks for the City Deal and recruitment capacity and effectiveness, as part of their role providing continuous challenge to the Risk Register. The Committee has also requested updates to target dates and additional detail on specific mitigating actions to be provided, and reviewed the presentation of the residual risk map.

2.4.4 The annual report which was presented to the Committee in June 2016 outlined the Key Corporate Risks faced by the Council, the outcome of the annual review of the Risk Management Policy and the development of the Council's risk management approach during 2015/16. Proposed developments for 2016/17 include the implementation of a new risk management system 'Grace' (Governance, Risk and Control Evaluation) across the Council.

2.4.5 A training session for Committee members on Risk Management was also held prior to the July 2016 meeting.

2.5 Corporate Governance

2.5.1 The Code of Corporate Governance must be reviewed by the Committee annually. It is critically challenged, to ensure it continues to be relevant and effective in supporting the seven 'Nolan' principles of public life, as well as to comply with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The current Code of Corporate Governance was reported to the Committee on 12th July 2016, following a full review of supporting evidence by Internal Audit.

2.5.2 This year's Code of Corporate Governance remained unchanged from previous years; however, new CIPFA / SOLACE guidance on governance statements was published in April 2016, which applies to annual governance statements prepared for the financial year 2016/17 onwards. To ensure compliance, Internal Audit will be bringing a report back to Committee reflecting this new guidance later in 2016/17. This will ensure that the Committee continues to have oversight of the assessment of how the Council has achieved core principles around corporate governance. This will demonstrate that Cambridgeshire County Council is fully committed to achieving the high standards expected of a public sector body.

2.6 Council Finance and Statement of Accounts

2.6.1 Throughout 2015/16, 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; recently this has included an inquiry regarding the outturn in 2015/16 at Grafham Water Centre.

2.6.2 The Committee also considered and approved the annual Statement of Accounts.

2.7 Committee Training

2.7.1 At the November 2015 meeting, the Committee discussed their requirements for additional training, and a training plan was produced. Sessions on risk management and the Corporate Accounts have been delivered to Committee members.

2.7.2 The outcomes from the sessions were reviewed at the July 2016 meeting and it was agreed that a further session, on an introduction to Finance, would be held prior to the September 2016 meeting.

3. The Committee's relationship with Internal Audit

3.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a new, more 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 new 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. Recently this has included a suggestion of an audit looking at the Council's reliance on contractors self-reporting issues as part of contract management arrangements. This has been incorporated into the 2016/17 Audit Plan and will be carried out later in the year.

3.2 The Committee has also taken an active role in the anti-fraud agenda. The Committee suggested that the current counter-fraud whistleblowing poster should be redesigned; this has lead to the development of a new poster in conjunction with the CIPFA Counter-Fraud Centre, and plans for a campaign to raise awareness among staff about the risk of fraud and how to report concerns.

4. Future Focus for the Committee

4.1 As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including Safer Recruitment and the Cambridge Library Enterprise Centre report. The updated CIPFA / SOLACE guidance on governance statements means that 2016/17 will also see a focus on the Council's governance structures through a full review of its Code of Corporate Governance.

4.2 More broadly, the 2016/17 Business Plan highlights that over the next 5 years the Council will continue to face unprecedented financial challenged coupled with significant growth, affecting both demand for services and the level of resources the Council has available to fund their provision.

4.3 Delivering statutory services within this context will continue to be incredibly challenging – and the Committee will seek to ensure that those services continue to be delivered with integrity and in a way that is accountable, transparent, effective, efficient and inclusive.

4.4 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 likely to increasingly shift towards a focus on outcomes.

Agenda Item: 7

Accounts and Audit Regulations 2015.
Implications on the production of the Statement of Accounts, statutory deadlines and public inspection period.

1.0 Summary

The Accounts and Audit Regulations 2015 came into force on 1st April 2015 and apply to the production of the Statement of Accounts from 2015/16 onwards. The Regulations implement the local audit arrangements set out within the Local Audit and Accountability Act 2014

There are a number of changes to statutory processes contained within the Accounts and Audit Regulations 2015. The changes to the statutory deadlines will have the most impact, and will necessitate some fundamental changes to the way the Statement of Accounts is produced.

2.0 Changes required by the Regulations

2.1 Earlier statutory deadlines

The Regulations require that the approval and publication of the Statement of Accounts is undertaken to an earlier timescale.

The current statutory deadlines are for the draft accounts to be published by 30th June, and the final approved accounts to be published by 30th September following the conclusion of the audit.

The new deadlines are as follows:

- Draft accounts to be certified by Section 151 Officer and published by **31st May**.
- Final, audited accounts to be approved by Audit and Accounts Committee, certified by the Chair of the Committee and the Section 151 Officer and published by **31st July**.

The Regulations contain a transitional period, so the above changes come into effect for the production of the **2017/18 Accounts** onwards.

2.2 Public Inspection Period

The previous set of Accounts and Audit Regulations required a public inspection to be undertaken of 20 working days, with notice given to the public at least 14 days in advance.

This has now changed and a public inspection period of 30 working days will now be required. This applies from 2015/16. The 30 days run from the date at which the unaudited accounts are ready and must include a common 10 day period as specified within the Regulations. This is so that the accounts of all Authorities will be available to the public at the same time. The Regulations contain transitional arrangements, so for 2015/16 and 2016/17 the 10 day common period is the first 10 working days of July. From 2017/18 onwards the 10 day common period will be the first 10 working days of June.

2.3 Narrative Statement

In addition to the Statement of Accounts and Annual Governance Statement, Authorities are now required to produce a Narrative Statement. This must include "comment by the Authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year." The Narrative Statement replaces the Explanatory Foreword within the Accounts document.

2.4 Access to documents

Documents relating to the published Statement of Accounts must remain accessible on the website for at least 5 years.

3.0 Implications of these changes to the Regulations

3.1 Earlier statutory deadlines

The accounts production process will have to change in order for the draft accounts to be ready by the end of May. The Authority cannot continue to produce the accounts in the same manner and meet this reduced deadline. Trying to shorten the existing processes is not going to be enough; there will need to be a fundamental change to the way that the accounts are produced.

On the face of it there will be 30 calendar days (22 working days) lost by moving the draft deadline forward a month, but in actuality it could be more than that, dependent on when the Audit and Accounts Committee meetings are scheduled. For example, if the Audit and Accounts Committee meeting were to be scheduled for the last week of May then the papers, including the Statement of Accounts, would need to be ready 10 days prior to the meeting. This would further reduce the amount of time available for accounts production. There will need to be liaison with Democratic Services so that the Committee meetings are scheduled to give the maximum amount of time for the production of the draft accounts. Holding the Committee meetings in the first week of June would be advantageous, as the draft accounts only need to be certified by the S151 Officer prior to issue to the auditors, and this can happen outside of the Committee meeting.

Regardless of when the Committee meetings are, the draft accounts would need to be largely complete by the middle of May in order to give sufficient time for review by the S151 Officer and other senior managers. This is likely to mean that there will only be six or seven weeks from year end for the accounts to be fully finished. Easter often falls during this period, which can impact on the availability of some staff across the business. For 14-15 the CCC draft accounts were finished in the last week of June.

It should also be noted that whilst the statutory deadlines are changing, the content required within the accounts is not.

Under the current year end process the first couple of weeks of April are focused on getting all the accruals, adjustments and recharges in from the service areas in order to finalise the outturn position. The rest of April is largely taken up with Finance staff making adjustments. Capital adjustments and recharges go through in early May, followed by the apportionment of overheads. Final ledger adjustments are processed towards the end of May. There are large sections of the accounts that cannot be completed until the ledger has stopped moving and the figures can be finalised. The Authority cannot continue to use the same processes and meet the reduced timescales.

In order to close the ledger earlier there needs to be a move away from doing everything based on actuals, towards calculating accruals and recharges based on estimates**.** This will be a change for budget managers who will be used to their existing processes, which have become embedded over a number of years. Support will be needed from across Finance to explain and reinforce any changes.

An increased use of estimates should not have a material impact on the accounts, but it will need to be discussed in detail with the external auditors, as they will need to be comfortable with the estimates that are used.

A higher proportion of the accounts will need to be written/prepared prior to year end**.** There will also need to be consideration with how the accounts production process dovetails with the year end outturn process. Outturn report dates may need to be moved forward in line with the reduced timescales, as the outturn position needs to be quoted within the accounts.

The reduction to the deadlines will cut 61 calendar days (42 working days) from the time available for the audit. This is likely to mean that the auditors will have to undertake their work in a slightly different way. It's also likely to mean that the audit will need to start earlier. Potentially some areas of the accounts will need to be audited prior to the draft accounts being finished. This is something that will need to be discussed with the auditors.

The reduced timescales give less contingency time for audit overruns**.** Whilst it can be hoped that the reduced timescales will force Authorities and auditors to resolve outstanding queries more quickly, it may also increase the chances of overruns going past the statutory deadline.

3.2 Public Inspection Period

This change should have less of an impact. Finance staff will need to be available for a longer period of time, but the amount of work involved in the public inspection is largely dependent on the number of enquires received from members of the public and that will remain the case.

The public inspection will need to start the day after the draft accounts are published. This means that all working papers will need to be complete by this date. This is another reason why the production of the accounts will need to start earlier in the year.

3.3 Narrative Statement

The requirements of this statement are similar to those of the previous Explanatory Foreword, so the impact of this is minimal.

3.4 Access to documents

No changes will be required to current processes, as documents are already available on the Committee pages of the website going back a number of years.

RECOMMENDATION

The Committee is asked to note and comment on the report.

Appendix 1 – Summary of changes

Appendix 2 – Comparison of timescales

Background Documents: Accounts and Audit Regulations 2015 see the following link:
http://www.legislation.gov.uk/uksi/2015/234/pdfs/uksi_20150234_en.pdf

Appendix 1 – Summary of changes

Area	Changes	Transitional arrangements	Impact
Statutory Deadlines	Draft accounts to be certified by Section 151 Officer and published by 31st May. Final, audited accounts, approved by Audit Committee, certified by the Chair of the Committee and the Section 151 Officer and published by 31st July.	Applies from 17-18 onwards. SoA for 15-16 and 16-17 to be prepared to existing timescales.	Committee dates will need to be scheduled around the new deadlines. Less time available to prepare the SoA. Preparation will need to begin further ahead of year end. More of the accounts will need to be based upon estimates, rather than actuals. (Eg accruals and recharges). Audit may need to start before the draft accounts are finished. Less time available for audit overruns. Potential impact on outturn monitoring timetable.
Public Inspection	30 day inspection period now required. Must include a 10 day period common to all Authorities nationally. Inspection period required to start as soon as the draft SoA has been published.	For 15-16 and 16-17 the inspection period must include the first 10 working days of July. For 17-18 onwards the inspection period must include the first 10 working days of June.	Impact is dependent on the number of enquires required from members of the public. Finance staff will need to be available for a longer period of time, which could impact on their availability to undertake other tasks. All working papers need to be ready for the date that the draft SoA is published.
Narrative Statement	Statement now required to be produced that summarises the Authority's financial performance during the year, and how it has secured economy, efficiency and effectiveness in its use of resources.	None – applies from 15-16 onwards.	Low. Replaces the explanatory foreword within the SoA and the content is similar.

Access to documents	Documents relating to SoA must remain accessible for 5 years on the Authority's website	None – applies from 15-16 onwards.	Minimal. Historic documents are already available through the Committee pages of the website

Appendix 2 – Comparison of timescales

Previous timescales:

March	Apr	May	June	July	Aug	Sept
Prepare draft accounts				Audit period		
Year end 31st Mar			Publish draft accounts 30th June	Public Inspection. 20 working days of Authority's choosing.		Publish final accounts 30th Sept

Transitional timescales: (2015-16 and 2016-17)

March	Apr	May	June	July	Aug	Sept
Prepare draft accounts			Audit period (move forward voluntarily)			
Year end 31st Mar			Publish draft accounts 30th June	Public Inspection. **30 working days. Must include first 10 days of July.**		Publish final accounts 30th Sept

New timescales: (2017-18 onwards)

March	Apr	May	June	July	Aug	Sept
Prepare draft accounts			Audit period			
Year end 31st Mar		Publish draft accounts **31st May**	Public Inspection. **30 working days. Must include first 10 days of June.**			
				Publish final accounts **31st July**		

Reduction of at least 22 working days

Reduction of 42 working days

Agenda Item No: 10

STATEMENT OF ACCOUNTS 2015-16

To:	**Audit and Accounts Committee**	
Date:	**20th September 2016**	
From:	**Chief Finance Officer**	
Electoral division(s):	**All**	
Forward Plan ref:	**N/a**	*Key decision:*
Purpose:	**This report presents the draft Statement of Accounts for 2015-16.**	
Recommendation:	**The Committee is asked to approve the 2015/16 Statement of Accounts.**	

	Officer contact:		***Member contact***
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1. BACKGROUND

1.1 The Council's Statement of Accounts is produced in accordance with the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom 2015-16 (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.

1.2 This version of the Statement of Accounts replaces the draft version that was presented to the Committee for review on 12th July 2016 and now requires this Committee's approval.

2. STATEMENT OF ACCOUNTS

2.1 Presentation

2.1.1 The Statement of Accounts (including the separate Pension Fund accounts) is attached at appendix 3. It is accompanied by a Narrative Report and Annual Governance Statement (AGS) and its format is prescribed by the CoP 2015-16.

2.1.2 The classification of services in the Comprehensive Income and Expenditure Statement does not align with internal management arrangements and service structures, and is therefore presented differently to the Council's Outturn Integrated Resources and Performance Report. Instead, the Statement of Accounts has to conform to the service classification required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Code of Practice (SeRCOP) 2015-16.

2.1.3 Whilst it is the Statement of Accounts on which the audit opinion is given, a reconciliation showing how the overall results within the accounts differ from that reported within the Outturn Integrated Resources and Performance Report is provided in note 24.

2.1.4 A number of amendments have been made to the Statement of Accounts since the draft set were reviewed by the Committee at the meeting on the 12th July. These changes have been made to incorporate adjustments due to further work by the finance team, external audit review, and feedback received from the Committee in July. The key amendments are outlined in section 3 of this report.

2.2 Review – Comprehensive Income and Expenditure Statement (CIES)

2.2.1 See Appendix 1 for a summary of changes from 2014-15 to 2015-16.

2.2.2 Net expenditure within Education and Children's services has increased by £71m when compared with 2014-15. This movement is due to a net revaluation loss of £15m in 2015-16 (compared to a £37m revaluation gain in 2014-15), and Revenue Expenditure Funded from Capital Under Statute (REFCUS) charges of £23m in 2015-16 (compared to £5m in 2014-15). Capital schemes relating to academy schools are treated as REFCUS expenditure, as the academy assets are not recognised on the Council's balance sheet.

2.2.3 Corporate and Democratic Core and Non-Distributed Costs are impacted by a variety of technical accounting adjustments including reserve movements, accounting for retirement benefits (pension fund adjustments), debt charges and expenditure relating to long-term assets. The decrease this year represents the overall net change across all of these areas.

2.2.4 The significant increase in Other Operating Expenditure wholly relates to a much bigger loss on disposal of long-term assets in 2015-16 of £59.2m (£21.2m in 2014-15). The losses in both years are primarily a result of the statutory transfer of schools out of the Council's long-term assets portfolio, including 6 schools (one of which was a secondary school) converting to academy status.

2.2.5 The increase in taxation and non-specific grant income reflects the net position of an increase in the Council Tax precept of 1.99%, as well as the income recognised from capital grants and contributions as part of financing the capital programme. This increase was in part offset by reductions in the level of non-ringfenced government funding.

2.2.6 As stated, differences between the 'Net Cost of Services' and 'Deficit on Provision of Services' reported in the CIES, and the underspend reported in the Outturn Report, are the result of differences in presentational rules. A summary showing this variation is a disclosure requirement within the Code, and is shown in note 24 to the accounts.

2.2.7 The change in the surplus on revaluations reflects the statutory adjustments required in relation to Long Term Assets on an annual basis and as such includes the result of a detailed assessment of 20% of the Council's property portfolio by valuers as part of the 5-year revaluation rolling programme, plus an indexation adjustment on the remaining 80%. The significant decrease in the surplus, particularly in relation to land, is as a result of a significant step-change increase in land values during 2014-15, reflecting strong signs of recovery of the property market, which we would not expect to continue to experience each and every year.

2.2.8 The estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £559m at 1 April 2015 to £479m at 31 March 2016. Financial assumptions at 31 March 2016 were more favourable than they were at 31 March 2015, resulting in the value of the Fund's liabilities decreasing. However, the actual investment return on the Fund's assets during 2015-16 was lower than the typical expected asset return at the start of the year. Overall, this combination of lower than expected investment returns, offset by more favourable financial assumptions, has resulted in a significant decrease in the deficit amount.

2.3 Review – Balance Sheet

2.3.1 See Appendix 2 for a summary of changes from 31 March 2015 to 31 March 2016.

2.3.2 The net book value of the Council's Property, Plant and Equipment assets combined with Assets Held for Sale and Investment Property assets has increased by £25.2m during 2015-16, to £1,764.2m. The material movements that have contributed to the overall increase to the balance sheet include the following

- Additions (capital expenditure) (+£107.5m)
- Retirements (-£85.2m)
- Revaluation increases (+£42.3m)
- Depreciation charges for 2015-16 (-£39.4m)

2.3.3 Included within Long Term Investments is an amount of £400k relating to share capital in the Municipal Bonds Agency that will issue bonds on behalf of local authorities.

2.3.4 The Council's net working capital position has improved from 2014-15 to 2015-16, with Short Term Debtors reducing by more than the total decrease in Short Term Creditors. Short Term Creditors reduced by £6.9m and Short Term Debtors by £14.3m. This reflects the positive performance reported during the year in relation to the Council's debt collection and prompt payment processes.

2.3.5 The Council had a reduced cash and cash equivalents position in the year of £36.4m, with a balance at the 31 March 2016 of £1.1m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash in current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.

2.3.6 Total debt outstanding at the year-end was £359.7m, well within the maximum limit determined in accordance with legislation of £660m. There was a negligible increase of £0.1m in long-term loans in the year and a net decrease of £23.1m in short term loans. New loans were raised to fund the capital programme and working capital commitments. Cash surpluses during the year have been invested in accordance with guidance issued by the Government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.

2.3.7 The £79.8m decrease in the pension scheme liability reflects the requirements of IAS 19 and is as advised by the Scheme's actuary. This is slightly offset by the increasing liabilities in relation to the Street Lighting Private Finance Initiative (PFI) scheme (due to the phased addition of assets), which explains the increase in Other Long Term Liabilities.

2.3.8 The £60.4m increase in unusable reserves (those that are not able to be used to provide services) is primarily a result of the decrease in the pension fund liability for the Council (as noted in 2.2.8 and 2.3.7), partially offset by decreases in the long term assets unusable reserves.

2.3.9 During the year, the total equity of the Council increased by £76.6m.

3. AMENDMENTS TO NOTE SINCE THE DRAFT ACCOUNTS

3.1 The table in Appendix 3 below summarises all the significant amendments to the draft Statement of Accounts submitted at the Audit & Accounts Committee meeting on 12th July 2016 which have been incorporated into the final document. Individual amendments are listed below. These are as a result of further work by the finance team and any findings from the review by the external auditors.

3.2 Accounting treatment of Castle Court

3.2.1 The Castle Court building is being converted into student accommodation following an agreement between the Council and Study Inn.

3.2.2 In the draft Statement of Accounts, presented to the Committee in July, the accounting treatment had been to recognise Castle Court as an investment property. A valuation had therefore been undertaken by the valuers and it had been included in the draft Accounts on this basis.

3.2.3 Following discussion with the external auditors, and after reviewing the accounting treatment in line with the relevant International Accounting Standard (IAS17), a change to the accounting treatment for Castle Court has been agreed.

3.2.4 Castle Court will now been recognised as a long term lease within the Accounts, rather than as an investment property. Therefore the following adjustments have been made:

To reverse its reclassification to Investment Properties:

- Balance Sheet – Property, Plant and Equipment +£9,298k
- Balance Sheet – Investment Properties -£9,289k

To reverse its revaluation as an Investment Property:

- Balance Sheet – Investment Properties -£10,659k
- Balance Sheet – Capital Adjustment Account +£10,659k
- CIES – Movement in fair value of Investment Properties +£10,659k
- MIRS – Adjustment between accounting basis and funding basis -£10,659k

Record the disposal of the asset:

- Balance Sheet – Property, Plant and Equipment -£9,298k
- Balance Sheet – Capital Adjustment Account +£9,298k
- CIES – Gains/Losses on disposal of non current assets +£9,298k
- MIRS – Adjustment between accounting basis and funding basis -£9,298k

Recognise the finance leases receivable:

- Balance Sheet – Long Term lease receivable +£21,300k
- Balance Sheet – Capital Adjustment Account -£21,300k
- CIES – Gains/Losses on disposal of non current assets -£21,300k
- MIRS – Adjustment between accounting basis and funding basis +£21,300k

3.3 Collection Fund accounting

3.3.1 Due to an error in the production of the working paper, adjustments in respect of collection fund creditors and debtors had mistakenly been made against cash and cash equivalents. This has now been corrected.

- Balance Sheet – Cash & Cash equivalents -£664k
- Balance Sheet – Debtors +£2,184k
- Balance Sheet – Creditors -£1,520k

3.4 Cash and Cash Equivalents

3.4.1 Some items from the trial balances had been included within the Cash and Cash Equivalents balance in the draft Accounts. Upon investigation these items would found to relate to a combination of control accounts and suspense accounts rather than bank balances, so were more appropriate to be included within the debtors and creditors balances in the Accounts.

- Balance Sheet – Cash & Cash equivalents -£873k
- Balance Sheet – Debtors £967k
- Balance Sheet - Creditors -£94k

3.5 Growth Deal

3.5.1 The 2015-16 funding in respect of the Growth Deal had been included within Capital Grants Receipts in Advance in the draft Accounts. An adjustment has been made to recognise this funding within the Comprehensive Income and Expenditure Statement.

- Balance Sheet – Long Term grants receipts in advance +£17,422k
- Balance Sheet – Capital Adjustment Account -£17,422k
- CIES – Net cost of services -£7,002k
- CIES – Capital grants and contributions -£10,420k
- MIRS –adjustments between accounting basis and funding basis +£17,422k

3.6 PFI lifecycle replacement costs

3.6.1 An adjustment has been made to correct an unnecessary adjustment in the working paper for PFI lifecycle replacement costs for the Waste PFI scheme.

- Balance Sheet – Cash & Cash equivalents +£1,842k
- Balance Sheet – Earmarked reserves -£1,842k
- CIES – Net cost of services -£1,842k
- MIRS – Transfers to/from earmarked reserves +£1,842k

3.7 Provisions

3.7.1 Provisions held in the draft Accounts in respect of the Transformation programme were more appropriate to be accounted for as earmarked reserves.

- Balance Sheet – Provisions +£1,962k
- Balance Sheet – Earmarked reserves -£1,962k
- CIES - Net cost of services -£1,962k

- MIRS – Transfers to/from earmarked reserves +£1,962k

3.8 Public Health

3.8.1 Part of the Public Health funding received is spent on Public Health related services within other service headings. In the draft Accounts this funding had been double counted within the Income and Expenditure Statement. Whilst the net position was correct the gross income and expenditure had been overstated. This has now been corrected.

- CIES – Gross income +£7,640k
- CIES – Gross expenditure -£7,640k

4. OTHER MATTERS

4.1 In light of ongoing work, some disclosure and presentational changes to the Statement of Accounts may still be required before this meeting of the Audit & Accounts Committee on the 20 September 2016. Any such changes will be discussed in the pre-briefing with the Chairman of the Audit & Accounts Committee, and tabled at the meeting.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

There are no significant implications within this category.

6.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

6.3 Equality and Diversity Implications

There are no significant implications within this category.

6.4 Engagement and Consultation Implications

There are no significant implications within this category.

6.5 Localism and Local Member Involvement

There are no significant implications within this category.

6.6 Public Health Implications

There are no significant implications within this category.

Source Documents	**Location**
Code of Practice 2015-16 (based on IFRS) Statement of Accounts 2015-16 Statement of Accounts working papers. Outturn Integrated Resources & Performance Report for 2015-16	Octagon first floor, Shire Hall, Cambridge

Appendix 1: Comprehensive Income and Expenditure Statement Changes

	2015-16 £000	2014-15 £000	Change £000	Change %	Ref
Central services to the public	810	2,221	-1,411	-63.5%	
Culture and related services	10,034	9,880	154	1.6%	
Environment and regulatory services	26,544	21,782	4,762	21.9%	
Planning services	3,104	3,347	-243	-7.3%	
Education and children's services	173,312	102,553	70,759	69.0%	2.2.2
Highways and transport services	47,256	44,535	2,721	6.1%	
Adult social care	148,541	148,493	48	0.0%	
Corporate and democratic core	11,396	9,804	1,592	16.2%	2.2.3
Non distributed costs	-8,844	-1,340	-7,504	560.0%	2.2.3
Public Health services transferred from the PCT	0	0	0	0.0%	
Cost Of Services	**412,153**	**341,275**	**70,878**		
Other operating expenditure	59,570	16,308	43,262	265.3%	2.2.4
Financing and investment income/expenditure	42,845	42,413	432	1.0%	
Taxation and Non-Specific Grant Income	-423,452	-392,767	-30,685	7.8%	2.2.5
(Surplus) or Deficit on Provision of Services	**91,116**	**7,229**	**83,887**		2.2.6
Surplus on revaluation of long-term assets	-72,459	-170,107	97,648	-57.4%	2.2.7
Impairment and revaluation losses charged to the Revaluation Reserve	4,024	2,351	1,673	71.2%	
Remeasurement of net defined benefit/ liability	-99,262	100,221	-199,483	-199.0%	2.2.8
Other Comprehensive Income and Expenditure	**-167,697**	**-67,535**	**-100,162**		
Total Comprehensive Income and Expenditure	**-76,581**	**-60,306**	**-16,275**		

Appendix 2: Balance Sheet Changes

	31-Mar-16 £000	31-Mar-15 £000	Change £000	Change %	Ref
Property, Plant & Equipment	1,760,925	1,737,899	23,026	1.3%	2.3.2
Heritage assets	20,717	20,716	1	0.0%	
Investment Property	2,658	0	2,658		2.3.2
Intangible Assets	0	0	0	0.0%	
Long Term Investments	400	0	400		2.3.3
Long Term Debtors	25,598	3,139	22,459	715.5%	
Long Term Assets	**1,810,298**	**1,761,754**	**48,544**	**2.8%**	
Short Term Investments	0	50	-50	-100.0%	
Assets Held for Sale	614	1,098	-484	-44.1%	2.3.2
Inventories	951	671	280	41.7%	
Short Term Debtors	51,226	65,508	-14,282	-21.8%	2.3.4
Cash and Cash Equivalents	1,064	37,724	-36,660	-97.2%	2.3.5
Current Assets	**53,855**	**105,051**	**-51,196**	**-48.7%**	
Cash and Cash Equivalents	0	-262	262	-100.0%	2.3.5
Short Term Borrowing	-3,428	-26,557	23,129	-87.1%	2.3.6
Short Term Creditors	-95,302	-102,196	6,894	-6.7%	2.3.4
Provisions	-5,657	-6,172	515	-8.3%	
Capital Grants and Contributions Receipts in Advance	-22,659	-29,864	7,205	-24.1%	
Current Liabilities	**-127,046**	**-165,051**	**38,005**	**-23.0%**	
Provisions	-3,613	-3,612	-1	0.0%	
Long Term Borrowing	-356,305	-356,190	-115	0.0%	2.3.6
Other Long Term Liabilities	-600,257	-670,652	70,395	-10.5%	2.3.7
Capital Grants and Contributions Receipts in Advance	-42,024	-12,975	-29,049	223.9%	
Long Term Liabilities	**-1,002,199**	**-1,043,429**	**41,230**	**-4.0%**	
Net Assets	**734,908**	**658,325**	**76,583**	**11.6%**	
Usable Reserves	104,097	87,938	16,159	18.4%	
Unusable Reserves	630,810	570,387	60,423	10.6%	2.3.8
Total Reserves	**734,907**	**658,325**	**76,582**	**11.6%**	2.3.9

Appendix 3: Summary of changes from draft to final accounts.

Section	Page	Detail
Narrative Report	5-6 9-12 13	• A section has been added to the Narrative Report summarising the Council's performance during 2015-16 against its Key Performance Indicators (KPIs). This is a summary of information taken from the Integrated Resources and Performance Report. • Overview of the Year section. – The narrative, graphs and pie charts have been updated to incorporate the audit adjustments that have been made in the rest of the document. • Movement on general fund and earmarked reserves – Chart has been replaced by a table.
Statement of Responsibilities,	23-24	• Approval section included. To be signed off by the Chair of the Audit and Accounts Committee
Movement in Reserves Statement (MIRS)	25	• Figures have been updated to incorporate the audit adjustments described in section 3 of this report.
Comprehensive Income & Expenditure Statement (CIES)	26	• Figures have been updated to incorporate the audit adjustments described in section 3 of this report.
Balance Sheet	27	• Figures have been updated to incorporate the audit adjustments described in section 3 of this report.
Cash Flow Statement	28	• Figures have been updated to incorporate the audit adjustments described in section 3 of this report.
Notes To The Core Financial Statements	30-46 49 54-57 58 62-63 66 67 68 80 81	• Policy in respect of Fair Value measurement has been reworded to add clarity. Accounting policies have been reviewed and those which were either not material or no longer required have been removed. • Events after the balance sheet date. – Note added in respect of the EU referendum result. • Property, Plant and Equipment note updated to take account of audit adjustments described in section 3.2. • Long term finance leases receivable added to Long Term Debtors note. See section 3.2. • Castle Court no longer included in Investment Properties. See section 3.2. • Cash & Cash equivalents note updated to take account of audit adjustments. See section 3. • Transformation provisions have now been moved to earmarked reserves. • Disclosure note added in respect of Other Long Term Liabilities. • Officers remuneration – Separate column added to show expense allowances. • Employee remuneration above £50k. – Table updated to include termination benefits.
Pension Fund accounts	111-156	• Updated data and presentational changes following external audit.

Cambridgeshire County Council

CAMBRIDGESHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2015-16

CONTENTS

CONTENTS

Cambridgeshire County Council

'Making Cambridgeshire a great place to call home'

OUR VISION AND AMBITION

The Council has seen a number of years of operating within a very constrained financial environment. As a result, the Council has had to make relatively tough decisions over service levels and charging for services during this period, and these decisions become even more challenging as we progress.

We have already made over £130m in savings over the last four years. 2016-17 will require us to find a further £40.9m, largely due to inflation and demographic pressures. To date we have balanced our finances while investing in areas our residents prioritise. We are now in a position of having to consider what might previously have been considered unthinkable. The choices are stark and unpalatable but these very difficult decisions will need to be made.

Our vision has remained the same – to make Cambridgeshire a great place to call home. Our ambition is for people in Cambridgeshire to live independently and safely within strong and inclusive communities and with networks of support that they can call on. We will support people when they need our most specialist and intensive services. The Council's priorities are:

- **Developing the local economy for the benefit of all**
- **Helping people live healthy and independent lives**
- **Supporting and protecting vulnerable people**

For more details about how we will achieve this through a number of key outcomes, please see the Council's *2016-17 Business Plan* at: Business Plan 2016 to 2017 - Cambridgeshire County Council

OUR PERFORMANCE

The performance of the Council is monitored by the General Purposes Committee using a monthly Integrated Resources and Performance Report, which combines financial reporting with performance reporting. You can view the most recent copies of these reports on our website using the following link to the agendas, minutes and reports of the latest committee meetings:

http://www.cambridgeshire.gov.uk/info/20146/council_meetings

Performance against the 2015-16 Business Plan

The Council's 2015-16 Business Plan provided a summary of the County Council's long term vision for the Council, detailing the strategic prioritising and outlining the planned activity over the next five years to make Cambridgeshire a great place to call home. This was approved at Council on the 20th February 2015.

To monitor the Council's progress in delivering these priorities, a number of Key Performance Indicators (KPI) were agreed and the performance against these targets have been monitored through the year. In total, there were 92 KPI's agreed, with 18 of these chosen to represent the key indicators of success against the priorities and reported monthly to the General Purposes Committee.

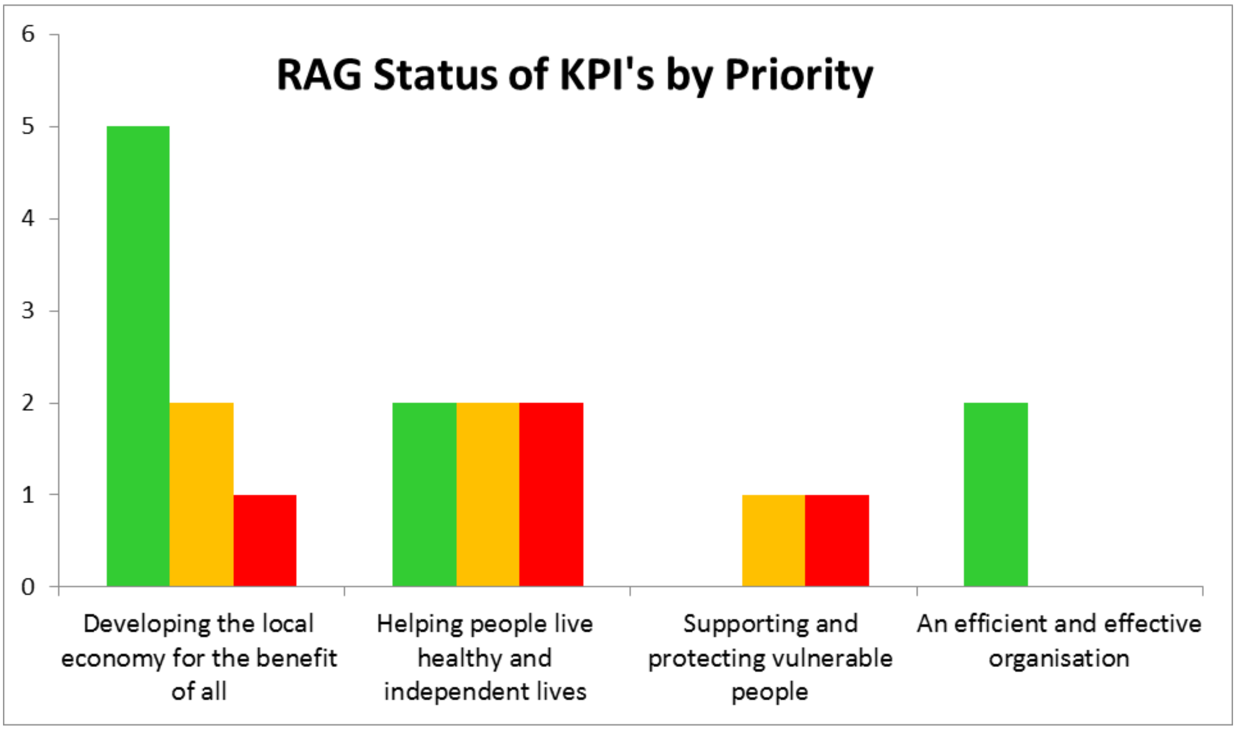
Achievement of the priorities is within the context of the challenging funding position for local authorities. Reducing Central government funding has challenged local authorities to become more efficient in order to deliver the outcomes it has prioritised and therefore there is a requirement for the Council to be an efficient and effective organisation to enable the delivery of the objectives and the services that it has planned to deliver within the business plan. Therefore progress against this aim is included within the performance reporting.

The following table provides a snapshot of the Authority's performance at year end by value and RAG (Red, Amber, Green) status, and was reported to the General Purposes Committee on 26 July 2016.

Area	Measure	Year End Position	Status
Revenue Budget	Variance (£m)	+£16.5m	Green
Basket Key Performance Indicators	Number at target (%)	50% (9 of 18)	Amber
Capital Programme	Variance (£m)	-£62.2m	Amber
Balance Sheet Health	Net borrowing activity (£m)	£348m	Green

As shown in the table above, two of the three key financial indicators have come in better than target, which will discussed as part of the narrative report below. However, for the basket of key performance indicators, 9 (50%) have been given a green rating, outlining confidence that the target has been met or will be delivered, with 5 (28%) being amber rated, and the remaining 4 (22%) being red rated.

The graph below show the performance against the KPI’s for each of the priorities identified within the business plan.



The business plan outlines the priorities for the next five years, therefore the red and amber rated KPI’s will receive appropriate intervention (in partnership with other agencies, where appropriate) to ensure that the KPI (and therefore the priority) is delivered within the medium term.

Cambridgeshire County Council

NARRATIVE REPORT

INTRODUCTION

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2016, and to summarise the overall financial position of the Council as at 31 March 2016. This section provides an overview of the financial performance of the Council, with supporting detail set out within the following sections:

- Statement of Responsibilities, Certificate and Approval of Accounts (pages 23-24)
- Core financial statements (pages 25-29)
- Notes to the core financial statements (pages 30-111)
- The Pension Fund accounts (pages 112-157)

The Council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the '*Code of Practice on Local Authority Accounting in the United Kingdom 2015-16'*, supported by *International Financial Reporting Standards (IFRS)*.

The purpose of the Council's published Statement of Accounts is to give its key stakeholders – including electors, those subject to locally levied taxes and charges, Council members, and employees – clear information about the Council's finances. It also allows the Council's financial performance to be compared with those of other local authorities.

THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the major financial statements for the Council for the financial year 2015-16. The various sections, and their contents, are as follows:

Independent Auditors' Report to Members (page 22)

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

Statement of Responsibilities, Certificate and Approval of Accounts (page 23)

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

Movement in Reserves Statement (page 25)

This statement shows the movement in the year on the different reserves held by the Council. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services. These movements are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'net increase / decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 26)
This Statement is fundamental to the understanding of the Council's activities as it reports the net cost for the year of all of the functions for which the Council is responsible. It also demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Balance Sheet (page 27)
The Balance Sheet presents the value of the Council's current and non-current assets and liabilities recognised by the Council as at 31st March 2016 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

Cash Flow Statement (page 28)
This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the core financial statements (page 30)
The notes to the financial statements are essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

Pension Fund accounts (page 112)
The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations.

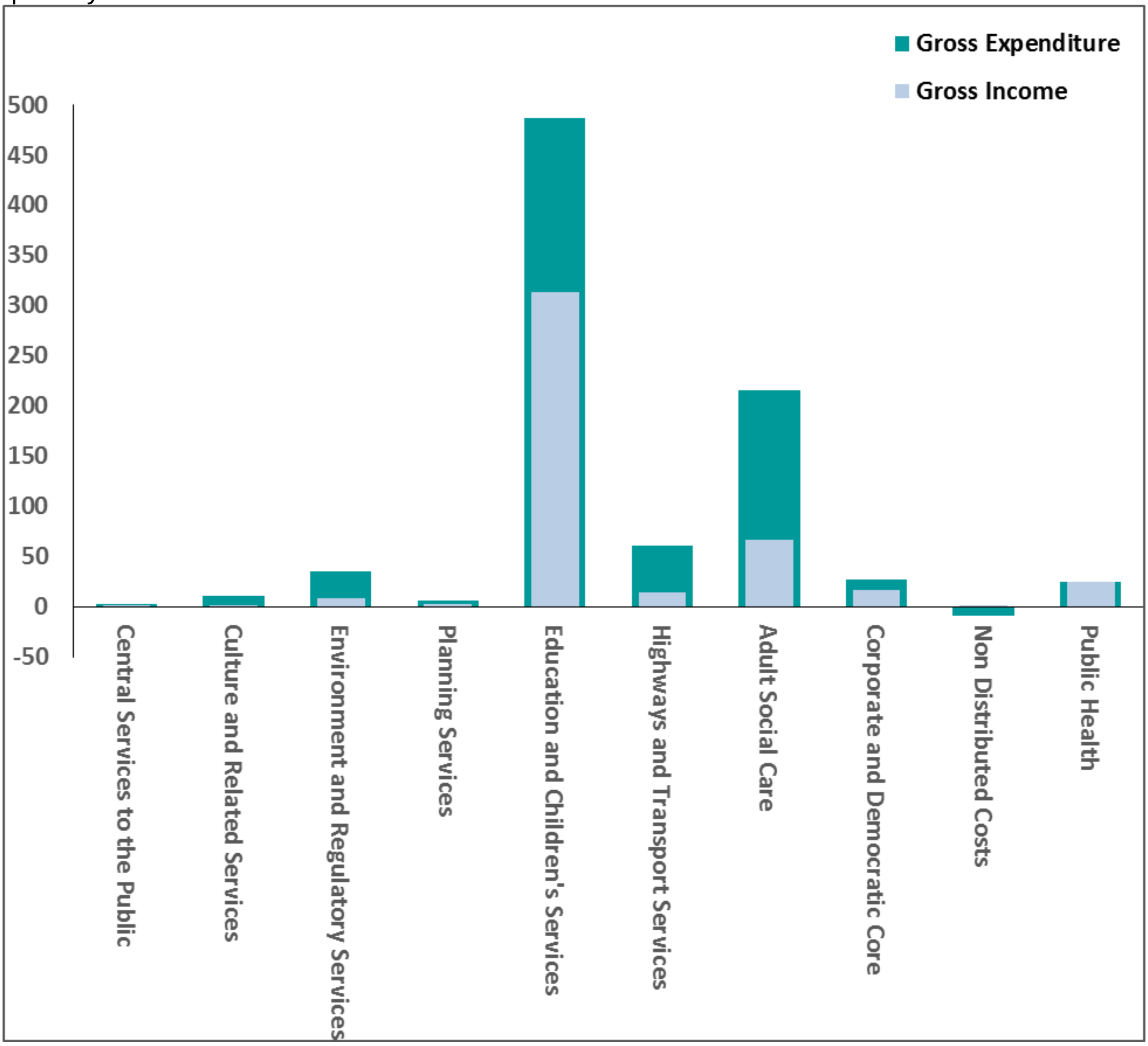
NARRATIVE REPORT

OVERVIEW OF THE YEAR

1. Revenue spending on services

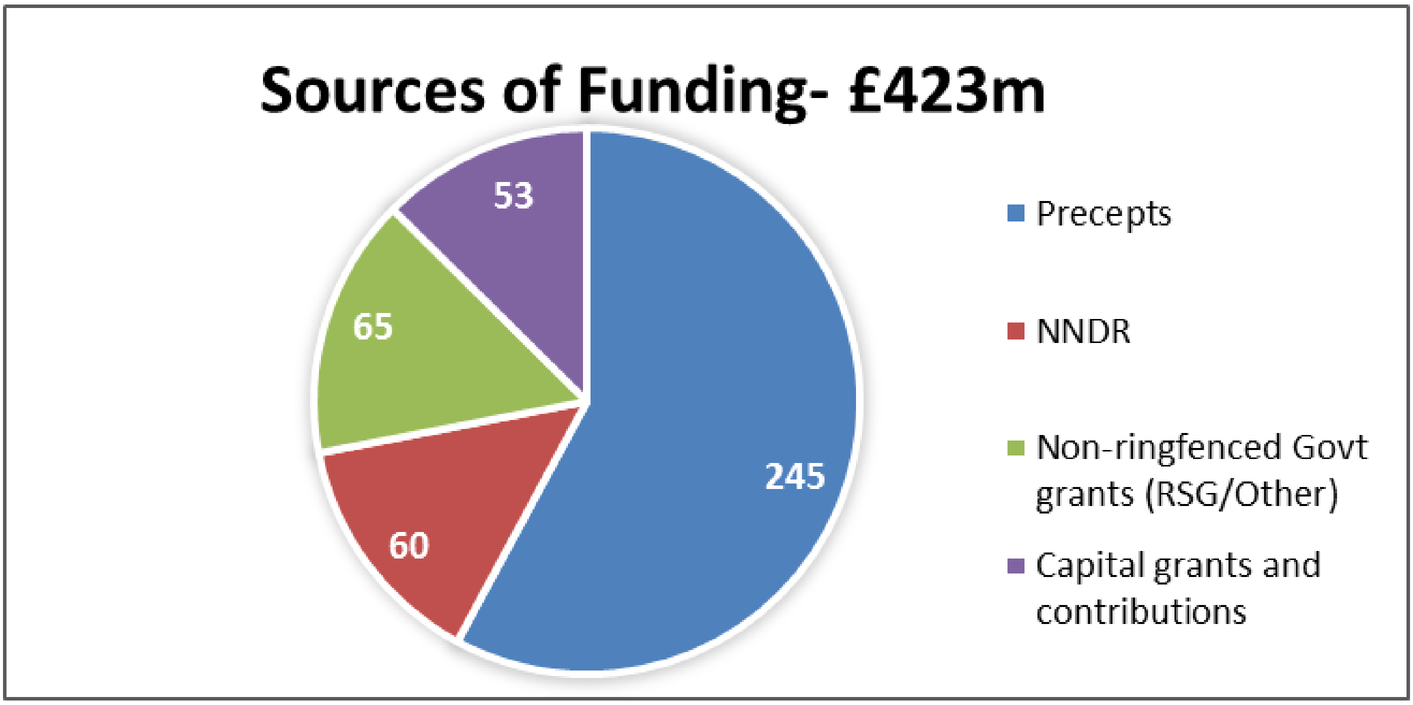
The Council's net cost of services for 2015-16 was £412.2m. This figure was £57.0m higher than the net expenditure for the year of £355.2m that was reported to the General Purposes Committee within the Outturn Integrated Resources and Performance Report in May 2016. The reason for this is that the Statement of Accounts is prepared on a different accounting basis to those reports presented to members for resource allocation decisions. (The Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits. Tables which summarise these results are shown in note 24.)

The chart below is based on the net cost of services of £412.2m and outlines how much we spent by service area:



NARRATIVE REPORT

The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £423m as shown below:



- **Non-ringfenced government grants** is the Revenue Support Grant, plus other general grants, paid by Central Government to aid local authority spending.

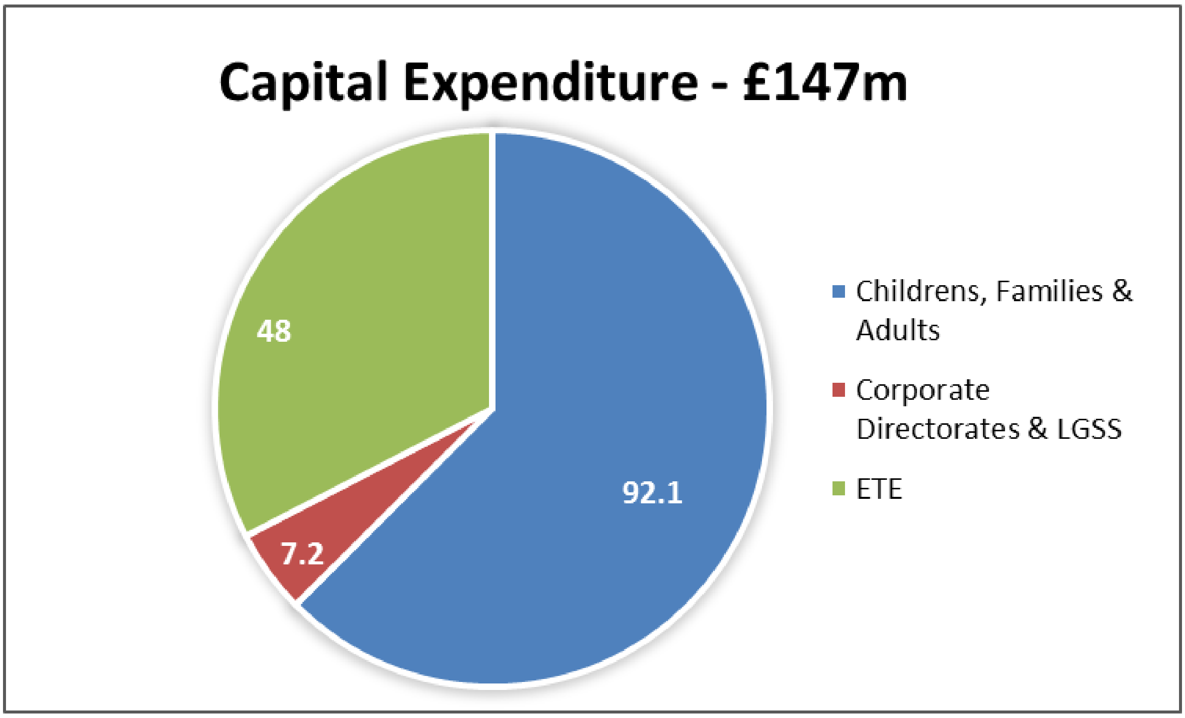
- **Non-Domestic Rates** are collected from businesses on behalf of the Council by billing authorities. A proportion is then received directly from those billing authorities, with a further proportion received and pooled by Central Government and then redistributed to councils on a formula basis.

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

2. Capital spending and financing

The Council's adjusted capital budget for the year was £209.5m. Actual capital expenditure financed from capital resources for the year was £147.3m, leaving some £62.2m of the adjusted capital budget unspent at the year end. However, it must be noted that this was largely due to the timing of spending and does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not occurred as quickly as anticipated.

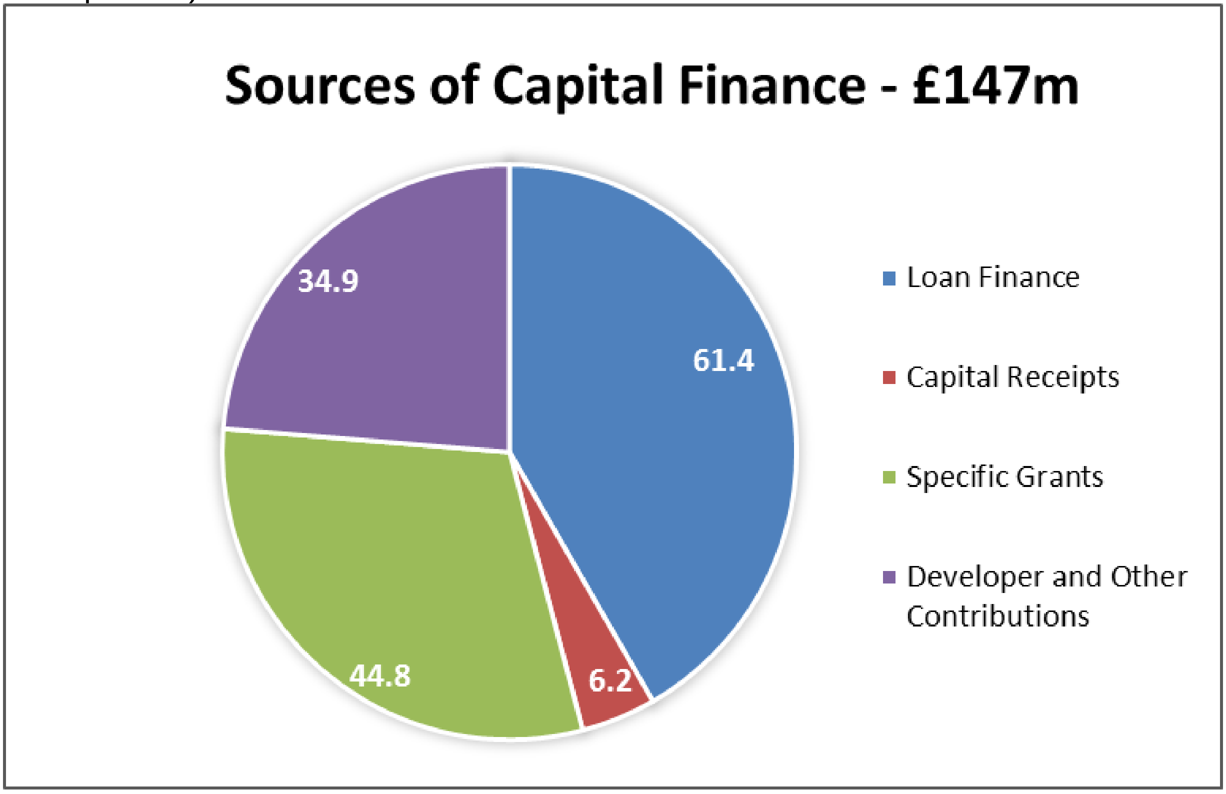
The chart below outlines the £147.3m investments made during the financial year (in millions of pounds):



The cost of borrowing has been factored into the 2015-16 debt charges outturn position, as well as being accounted for within the 2016-17 Business Planning process.

NARRATIVE REPORT

The following chart outlines how the £147.3m capital expenditure was financed this year (in millions of pounds):



Loan finance is undertaken through borrowing, where the Council subsequently meets interest and repayment costs from its own resources.

3. Reserves

The Council's total reserves have increased in-year by £76.6m, to £734.9m, by 31 March 2016. This balance comprises £104.1m (14%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £630.8m (86%) of 'unusable' reserves (those that an authority is not able to utilise to provide services). The usable reserves have increased in-year by £16.2m from £87.9m to £104.1m (see Movement in Reserves Statement and note 22) and the unusable reserves have increased in-year by £60.4m from £570.4m to £630.8m (see note 23).

A proportion of the Council's usable reserves (specifically the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2016, these reserves stood at £85.6m. Of this balance, the General Fund comprised £18.9m (4.5% of the net 2015-16 budget) and reserves earmarked for specific purposes totalled £66.7m, including £20.6m under the control of locally managed schools, an £11.9m transformation fund which will be used for proposals to generate further savings in future years, and £2.9m to cover insurance risks.

NARRATIVE REPORT

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

General Fund and Earmarked Reserves	£m
Balance at 1st April 2015	70.6
Transformation Fund	11.9
General Fund	2.9
Other Earmarked Reserves	0.2
Balance at 31st March 2016	85.6

4. Assets and liabilities

The Council’s cash and cash equivalents position reduced in the year by £36.4m from £37.5m at 31 March 2015 to £1.1m at 31 March 2016. The £1.1m balance at 31 March 2016 reflected the reduction in borrowing of £23m, from £382.7m to £359.7m at 31 March 2016. (However, it should be noted that this does not represent the actual balance on the Council’s accounts at the bank, but the book balance taking timing differences into account.)

In terms of liabilities, there was a £21.9m increase in capital grants and contributions receipts in advance from £42.8m at 31 March 2015 to £64.7m at 31 March 2016. This was primarily due to City Deal funding of £17.8m.

During 2015-16, the net assets of the Council, and therefore its Balance Sheet value, increased by £76.6m (11.6% increase) from an opening balance of £658.3m to a closing balance of £734.9m at 31 March 2016. The material items which caused this net increase were a £25.2m increase in the net book value of the Council’s property assets, in the main due to additions of £107m offset by £85m retirements, and a £21.3m long term finance lease receivable. There was also a decrease of £80m in the estimated pension deficit for the Council, measured on an actuarial basis, from £559m at 1 April 2015 to £479m at 31 March 2016.

5. External borrowing and investment

Total debt outstanding at 31 March 2016 was £359.7m (consisting of £356.3m long term borrowing and £3.4m short term borrowing), which was well within the maximum limit determined in accordance with legislation of £660m. There was a net increase of £115k in long-term loans in the year and a net decrease of £23.1m in short term loans.

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

NARRATIVE REPORT

Cambridgeshire County Council

KEY PROJECTS AND ACTIVITIES

Academy Conversions

Since 2010 Central Government has promoted academy schools which have greater autonomy and receive their funding directly from Central Government rather than through the local authority.

As at 1 April 2016, a total of 74 schools had either opened as academies (including free schools) or converted to academy status. This is an increase of 6 conversions/free schools (plus 2 new schools) on 2014-15 numbers. There are now 165 Primaries, 6 special schools, 6 nurseries, 2 Pupil Referral Units, and one secondary school in Cambridgeshire with ‘grant maintained’ status.

Although 180 schools remain ‘grant maintained’ by the Council, the conversion of schools in 2015-16 means a sizeable proportion of school spending, assets and workforce is no longer reported as part of the Council's accounts.

Academies produce their own financial statements.

School Building and Improvements

Alconbury Weald – Ermine Street Primary Academy

Based on the educational need of the Alconbury Weald development, a new build Primary School is required to meet the anticipated demand generated by the housing development.

The Phase 1 element of the works is to provide a two form entry primary school with, three form entry core facilities that can accommodate 420 students. There is an additional 52 place nursery unit that is integrated in the main school building. The total overall project cost is £10.2m.

The second phase will include a classroom block extension that has been designed as part of the approved planning application to allow expansion to the full three form entry school, accommodating 630 students.

Littleport Community College

In response to increased demand for school places in the Littleport area and the fact that schools in Ely are nearing capacity there is a strategic need to provide a new education campus in Littleport.

A site masterplan has been developed to locate a 4 form entry Secondary school (with ability to be extended to 5 form entries), a 1 form entry Primary school, and a pre-school on the same site. Additionally, the site has been identified as a location for a 110 place special school that will cater for Cambridgeshire as a whole.

NARRATIVE REPORT

Co-location should offer efficient delivery of education and in co-locating with a Special School there are opportunities to promote more integration of SEN pupils into mainstream schooling. Co-locating with the sports centre provides a truly community centred campus that aligns with the Village College concept.

The scheme will be developed in 2 phases with the second phase being the provision of the Primary School.

The total project value of phase 1 which includes the Secondary and Special schools is £41.5m. Work commenced on 4th January this year with the completion date set to allow for pupils to start the new autumn term of 2017.

Connecting Cambridgeshire

Connecting Cambridgeshire is improving the County's fixed and mobile broadband infrastructure, whilst supporting online skills, business growth and technological innovation to meet future digital challenges. The wider programme brings together a range of partnership projects supported by Government and European funding.

The first phase of the fibre broadband rollout was successfully completed by the end of 2015, reaching more than 97,000 premises across Cambridgeshire and Peterborough. Speed uplift in many areas has been significant and take-up of new fibre services is well above the national average.

Plans are in place to deliver a second phase of infrastructure roll-out to 2017 to extend fibre broadband coverage. This will be supported with up to £3m additional Government and EU funding.

Free WiFi has been launched in more than 120 public buildings across the county and over 2000 businesses have been helped to improve digital connectivity with additional Government and European funding.

connecting CAMBRIDGESHIRE
Superfast broadband across Cambridgeshire & Peterborough

Cambridge North Station

This new station will serve the north of Cambridge and have direct trains to London, Ely, Peterborough and Norwich.

NARRATIVE REPORT

Following the Council's lead on the development phase of the project, Network Rail and the Department for Transport have now taken over full responsibility for the delivery phase of the scheme, including the detailed design and construction of the works on the Chesterton sidings site. The Government confirmed the funding for the Station in the 2014 Autumn Statement.

Construction work is underway and the station is planned to open in May 2017.
The Government also provided the Council with a £6m grant in 2014-15 for access works including the extension of the Busway and cycle and footway links to the station. This was completed in July 2015 and, although the Busway extension will not come into use until the station is completed, the sections of the cycle path linking Nuffield Road to Milton Road have been brought into use.

Cambridge City Deal

Signed in June 2014, the Greater Cambridge City Deal is a partnership arrangement between the County Council, Cambridge City Council, South Cambridgeshire District Council, the Greater Cambridge, Greater Peterborough Local Enterprise Partnership and the University of Cambridge. It aims to enable a new wave of innovation-led growth in Cambridge and South Cambridgeshire ("Greater Cambridge") by investing in the infrastructure, housing and skills that will facilitate the continued growth of the Cambridge phenomenon. It acknowledges the city-region's strong track record of delivering growth and seeks to support existing and new businesses in achieving their full potential. The deal agreed between Greater Cambridge and Government allows Greater Cambridge to maintain and grow its status as a prosperous economic area, by:

- Creating an infrastructure investment fund that includes a payment-by-results mechanism to unlock up to £500 million in capital funding from Government;
- Accelerating delivery of 33,480 planned homes;
- Enabling the delivery of 1,000 extra new homes on rural exception sites;
- Delivering over 400 new apprenticeships in key growth sectors for young people;

NARRATIVE REPORT

- Providing an estimated £1 billion local and national public sector investment (including local capital expenditure and developer contributions, etc.), enabling an estimated £4 billion of private sector investment in Greater Cambridge;
- Underpinning the creation of 45,000 new jobs;
- Creating a governance arrangement for joint decision-making between the local Councils.

The City Deal represents a step change in the ability of local partners to deliver the infrastructure necessary to support the area's ambitious growth plans. Greater Cambridge will receive a confirmed £100 million from Government for infrastructure investment, to be paid in equal instalments from 2015-16 to 2019-20. This scale of investment will enable a strategy that enhances the transport network to link areas of population and employment within the city-region, through high quality public transport, cycling and pedestrian improvements. It will transform connectivity within Greater Cambridge and around the wider county and Local Enterprise Partnership area. Depending on the economic impact of local investments, Greater Cambridge will be able to access up to an additional £400 million over the following 10 years, in two tranches of £200 million. This complements and sits alongside existing capital expenditure plans in the area.

Below is the list of City Deal projects although the individual budgets will move up or down within the overall resources available depending on the options taken forward and the outcome of consultation. In addition to the City Deal grant the funding also reflects New Homes Bonus and estimated Section 106 / Community Infrastructure Levy receipts.

PROJECT	**Total Cost £000**
Years 1-5 Delivery	
Milton Road bus priority	23,040
Histon Road bus priority	4,280
A428 to M11 segregated bus route/A428 corridor Park & Ride/Madingley Road bus priority	59,040
Cross-city cycle improvements	4,000
City centre capacity improvements	3,000
A1307 corridor to include bus priority / A1307 additional Park & Ride	39,000
Chisholm Trail cycle links	8,400
Programme management and early scheme development	15,000
Western Orbital	5,900
A10 North study	2,600
	164,260

For further details please visit www.greatercambridgecitydeal.co.uk.

NARRATIVE REPORT

Assets and Investments

At the full Council meeting on 10th May 2016, Members approved a change to the Council's Constitution to establish an Assets and Investment Committee to deliver effective governance and management of the Council's property and asset portfolio. This is driven by a number of major programmes that are supporting the delivery of the Council's overall objectives. These include the Property Rationalisation Programme, the Housing Development Programme (including the work of the Housing Development Agency), the Community Resilience Programme, the Transformation Programme, the Making Assets Count Programme, the emerging Older Persons' Accommodation Strategy, and other service-led initiatives involving property.

Transfer of Reablement and Assistive Technology workforce

In April 2015, the Council began direct delivery of Reablement and Assistive Technology services. (This includes devices such as fall detectors and medication reminders, to help enhance people's independence in their own home without the need for long term care.) With a budget of £6.8m, this involved the transfer of 281 staff from the NHS to the Council on 1 April. These teams work with adults on a focused, short-term basis to maximise their independence.

Reablement and Assistive Technology play a key role in the Council's demand management strategy for adult social care; cost reductions in the delivery of the service itself have also been realised.

Supporting former Independent Living fund clients

The government closed the independent living fund on 30 June 2015, and responsibility for supporting ILF service users passed over to local authorities from July.

In Cambridgeshire there were 82 ILF service users when the fund was closed, and £1.04m was received from central government to reflect the new role for local authorities in supporting these people for the final nine months of 2015/16.

Care Act Legislation comes into effect from April 2015

Major reform of the legislative framework governing the care and support of adults came into effect from April with the enactment of key provision of the Care Act.

Cambridgeshire reformed its support for carers; arrangements for deferred payments, levying interest on this type of client contribution for the first time; expanded social work and occupational therapy capacity and took up a new role in supporting prisoners with Care Needs. This was supported by funding from government and as part of the local Better Care Fund.

NARRATIVE REPORT

Public Health

On 1 October 2015, the move of public health responsibilities to local government was completed through the transfer of responsibility from NHS England to upper tier local authorities, for commissioning public health services for children aged 0-5. The two main services involved are the health visiting service and the ‘family nurse partnership’ service for vulnerable teenage mothers, both of which are currently provided through contracts with Cambridgeshire Community Services NHS Trust.

Ely Southern Bypass

The Ely southern bypass is a proposed new road connecting the A142 at Angel Drove to Stuntney Causeway, including bridges over the railway line and the River Great Ouse and its floodplains. The image below shows the location of the new bypass in green. In addition to the existing Local Transport Body allocation of £6 million, it has been confirmed that Growth Deal funding of £16 million will be directed to the scheme, subject to ministerial approval of a Major Scheme Business Case. This is currently being considered by Department of Transport officers.

The process is expected to be completed at the end of June 2016 with the contract being awarded in July 2016. It is anticipated that the earliest delivery of the scheme will be at the end of 2017.

Pensions

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

The estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £559m at 1 April 2015 to £479m at 31 March 2016. The fair value of plan assets decreased during 2015-16; however this has been more than offset by a reduction in the value of the Fund’s liabilities. Overall this has resulted in an £80m decrease in the deficit amount (see note 37). This deficit will be managed by increased employer contributions over the remaining working life of employees, as assessed by the actuary following the next valuation.

NARRATIVE REPORT

LGSS

LGSS is the shared back office operation created by Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) in October 2010. It provides a wide range of strategic, professional, operational and transactional services including Finance, Property, Pensions, Legal, Procurement, Audit, HR, IT and Transactional Financial Services.

It is governed by a Joint Committee with the financial transactions of each shareholder county included in the respective county's statutory accounts.

The LGSS overall performance for 2015-16 is summarised below:

	2015-16 Budget £000	2015-16 Expenditure £000	2015-16 Variance £000
Total	**25,033**	**24,829**	**(204)**

All surpluses and deficits, after any retained earnings re-invested by LGSS, are shared on a 50:50 arrangement via a dividend to each of the host authorities.

See note 32 for further information.

FUTURE CHALLENGES

Looking forward, cost pressures are forecast to outstrip available resources. This is because the rising costs caused by inflation, growth and associated demographic pressures combine with reduced levels of funding. Consequently, the Council needs to make significant savings to close the budget gap.

Achieving these savings over the next five years will require the making of tough decisions on which services to prioritise. During the last few years services have made significant savings through increasing efficiency and targeting areas that are not our highest priority with the aim of minimising the impact on our service users. With no respite from the continuing cuts to our funding, we are now in an environment where any remaining efficiencies to be made are likely to be minimal. We must accept therefore that more and more of the budget challenge will be met through service reductions.

NARRATIVE REPORT

The following table illustrates the current size of the challenge that lies ahead (as presented to Council on the 16 February 2016), as it sets out the latest annual savings requirement:

	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
Total Savings Requirement For The Year	**40,934**	**33,643**	**21,403**	**17,076**	**10,615**	**123,671**
2015-16 Ongoing Savings		40,934	40,934	40,934	40,934	
2016-17 Ongoing Savings			33,643	33,643	33,643	
2017-18 Ongoing Savings				21,403	21,403	
2018-19 Ongoing Savings					17,076	
Total Savings For The Year (Including Ongoing Savings)		**74,577**	**95,980**	**113,056**	**123,671**	
Cumulative Savings Requirement	**40,934**	**115,511**	**211,491**	**324,547**	**448,218**	

CONCLUSION

I am extremely grateful to all the finance staff across the Council, and for those within service directorates, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.

Chris Malyon
Chief Finance Officer (Section 151 Officer)

FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the Council's website or Corporate Finance:

Address: OCT1114, Shire Hall,
Cambridge,
CB3 0AP

Telephone: 0345 045 5200

Email: LGSS.finance@cambridgeshire.gov.uk
Web: Statement of Accounts

INDEPENDENT AUDITORS' REPORT

Cambridgeshire County Council

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CAMBRIDGESHIRE COUNTY COUNCIL (THE "AUTHORITY")

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STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer also has to have:

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

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year 2015-16, and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer

Date:

Cambridgeshire County Council

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held on 20th September 2016.

Signed on behalf of
Cambridgeshire County Council:

Cllr. Michael Shellens
Chairman of the Audit and Accounts Committee
Date:

MOVEMENT IN RESERVES STATEMENT

	General Fund £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-14	**12,336**	**54,053**	**1,439**	**14,802**	**82,630**	**515,389**	**598,019**
Movement in 2014-15:							
Deficit on the provision of services	-7,229	-	-	-	**-7,229**	**-**	**-7,229**
Other comprehensive income and expenditure	-	-	-	-	**-**	**67,535**	**67,535**
Total comprehensive income and expenditure	-7,229	-	-	-	**-7,229**	**67,535**	**60,306**
Adjustments between accounting and funding basis under regulations (note 6)	11,489	-	-	1,048	**12,537**	**-12,537**	**-**
Increase/ decrease (-) before transfers to earmarked reserves	4,260	-	-	1,048	**5,308**	**54,998**	**60,306**
Transfers to earmarked reserves (note 7)	-595	595	-	-	**-**	**-**	**-**
Increase/ decrease (-) in 2014-15	**3,665**	**595**	**-**	**1,048**	**5,308**	**54,998**	**60,306**
Balance at 31-Mar-15	**16,001**	**54,648**	**1,439**	**15,850**	**87,938**	**570,387**	**658,325**
Movement in 2015-16:							
Deficit on the provision of services	-91,115	-	-	-	**-91,115**	**-**	**-91,115**
Other comprehensive income and expenditure		-	-	-	**-**	**167,697**	**167,697**
Total comprehensive income and expenditure	-91,115	**-**	**-**	**-**	**-91,115**	**167,697**	**76,582**
Adjustments between accounting and funding basis under regulations (note 6)	106,063	-	-1,439	2,650	**107,274**	**-107,274**	**-**
Increase before transfers to earmarked reserves	14,948	**-**	-1,439	2,650	**16,159**	**60,423**	**76,582**
Transfers to earmarked reserves (note 7)	-12,028	12,028	-	-	**-**	**-**	**-**
Increase/ decrease (-) in 2015-16	**2,920**	**12,028**	**-1,439**	**2,650**	**16,159**	**60,423**	**76,582**
Balance at 31-Mar-16	**18,921**	**66,676**	**0**	**18,500**	**104,097**	**630,810**	**734,907**

This statement shows the reserves held by the Council, analysed into ‘usable’ and ‘unusable’. The ‘Deficit on the provision of services line’ shows the true cost of providing services, which are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The ‘Increase / decrease before transfers to / from earmarked reserves’ line shows the General Fund Balance before discretionary transfers.

Cambridgeshire County Council

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014-15 Gross Expenditure £000	2014-15 Gross Income £000	2014-15 Net Expenditure/ Income (-) £000		2015-16 Gross Expenditure £000	2015-16 Gross Income £000	2015-16 Net Expenditure/ Income (-) £000
3,546	-1,325	**2,221**	Central services to the public	2,525	-1,715	**810**
11,089	-1,209	**9,880**	Culture and related services	11,204	-1,170	**10,034**
30,629	-8,847	**21,782**	Environment and regulatory services	35,133	-8,589	**26,544**
6,487	-3,140	**3,347**	Planning services	5,775	-2,671	**3,104**
413,211	-310,658	**102,553**	Education and children's services	486,592	-313,280	**173,312**
60,431	-15,896	**44,535**	Highways and transport services	61,226	-13,970	**47,256**
206,174	-57,681	**148,493**	Adult social care	215,532	-66,991	**148,541**
26,459	-16,655	**9,804**	Corporate and democratic core	27,555	-16,159	**11,396**
-1,152	-188	**-1,340**	Non distributed costs	-8,660	-184	**-8,844**
20,453	-20,453	**-**	Public Health	24,643	-24,643	**-**
777,327	**-436,052**	**341,275**	**Cost Of Services**	**861,525**	**-449,372**	**412,153**
16,308	-	**16,308**	Other operating expenditure (note 8)	59,570	-	**59,570**
43,557	-1,144	**42,413**	Financing and investment income/ expenditure (note 9)	43,389	-544	**42,845**
-	-392,767	**-392,767**	Taxation and Non-Specific Grant Income (note 10)	-	-423,452	**-423,452**
		7,229	**Surplus (-) or Deficit on Provision of Services**			**91,116**
		-170,107	Surplus on revaluation of long-term assets			**-72,459**
		2,351	Impairment and revaluation losses charged to the Revaluation Reserve			**4,024**
		100,221	Remeasurement of net defined benefit/ liability			**-99,262**
		-67,535	**Other Comprehensive Income and Expenditure**			**-167,697**
		-60,306	**Total Comprehensive Income and Expenditure**			**-76,581**

This statement shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Cambridgeshire County Council

BALANCE SHEET AS AT 31 MARCH 2016

31-Mar-15 £000		Note	31-Mar-16 £000
1,737,899	Property, Plant and Equipment	11	1,760,925
20,716	Heritage Assets	12	20,717
-	Investment Property	15	2,658
-	Long Term Investments		400
3,139	Long Term Debtors	13	25,598
1,761,754	**Long Term Assets**		**1,810,298**
50	Investments		0
1,098	Assets Held for Sale		614
671	Inventories		951
65,508	Short Term Debtors	17	53,593
37,724	Cash and Cash Equivalents	18	1,064
105,051	**Current Assets**		**56,222**
-262	Cash and Cash Equivalents	18	0
-26,557	Short Term Borrowing	14	-3,428
-102,196	Short Term Creditors	19	-97,669
-6,172	Provisions	20	-5,657
-29,864	Capital Grants and Contributions Receipts in Advance	31	-22,659
-165,051	**Current Liabilities**		**-129,413**
-3,612	Provisions	20	-3,613
-356,190	Long Term Borrowing	14	-356,305
-670,652	Other Long Term Liabilities	21	-600,257
-12,975	Capital Grants and Contributions Receipts in Advance	31	-42,024
-1,043,429	**Long Term Liabilities**		**-1,002,199**
658,325	**Net Assets**		**734,908**
87,938	Usable Reserves	22	104,098
570,387	Unusable Reserves	23	630,810
658,325	**Total Reserves**		**734,908**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) are matched by the level of reserves held by the Council. ‘Usable’ reserves are those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). ‘Unusable’ reserves are those that are not able to be used to provide services and include those that hold unrealised gains and losses (i.e. Revaluation Reserve), where amounts only become available to use if assets are sold; and reserves that hold timing differences.

Chris Malyon (Chief Finance Officer)
Date:
The notes on pages 30 to 111 form part of the financial statements.

Cambridgeshire County Council

CASH FLOW STATEMENT

2014-15 £000		2015-16 £000
7,229	**Net deficit on the provision of services**	**91,116**
-38,985	Depreciation	-39,389
34,252	Impairment and downward valuations	4,516
-739	Increase in impairment for bad debts	450
-3,907	Increase (-)/ decrease in creditors	21,950
17,919	Increase/ decrease (-) in debtors	10,094
-65	Increase/ decrease (-) in inventories	280
21,248	Movement in pension liability	-19,444
-21,284	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-85,213
-7,816	Other non-cash items charged to the deficit on the provision of services	-29,898
623	**Adjustments to the net deficit on the provision of services for non-cash movements:**	**-136,654**
5,349	Proceeds from the sale of property, plant and equipment	-16,582
-5,431	Any other items for which the cash effects are investing or financing cash flows	43,129
-82	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**26,547**
7,770	**Net cash flows from Operating Activities**	**-18,991**
51,076	Purchase of property, plant and equipment	107,473
50	Purchase of short-term and long-term investments	750
-	Proceeds from short-term and long-term investments	-400
-5,349	Proceeds from the sale of property, plant and equipment	16,582
-38,973	Other receipts from investing activities	-82,395
6,804	**Investing Activities**	**42,010**
-26,705	Cash receipts of short and long-term borrowing	-31,626
-9,680	Other receipts from financing activities	-9,632
1	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	-1
26,597	Repayments of short and long-term borrowing	54,640
-9,787	**Financing Activities**	**13,381**
4,787	**Net increase (-)/ decrease in cash and cash equivalents**	**36,400**
42,249	Cash and cash equivalents at the beginning of the reporting year	37,462
37,462	**Cash and cash equivalents at the end of the reporting year (note 18)**	**1,062**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of local taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from

CASH FLOW STATEMENT

financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16*and the *Service Reporting Code of Practice 2015-16 (SeRCOP)*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

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

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

ACCRUALS OF INCOME AND EXPENDITURE

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

NOTES TO THE CORE FINANCIAL STATEMENTS

which has been received in advance of it being earned, and is recognised when it can be matched with the year in which it is earned.

Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £20,000, or revalued to less than £20,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement.

The assets of local authority maintained schools are recognised in the Council's financial statements, subject to the usual accounting requirements for long-term assets. Therefore, if there are any specific arrangements in place whereby the control of the asset does not lie with the local authority, then the asset will not be recognised. The Council reviews all schools on an individual basis to determine where the control lies; at present, all community schools are held within the Council's Balance Sheet, whereas all academy schools are not. The Council transfers academy school assets on a 125-year lease, and as such they are subject to lessor finance lease policies (see leases policy, pages 40-42). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant

NOTES TO THE CORE FINANCIAL STATEMENTS

diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with fair current, in the interim the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This analysis requires assessment of when an asset was revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued. Assets contained within Property, Plant and Equipment required to be measure at fair value are revalued every year. The effective date of all revaluations is 1 April at the commencement of the year in question, however assets are adjusted for indexation between 1 April and 31 March as part of the material misstatement analysis.

Infrastructure, Community Assets, and Assets Under Construction have been included in the Balance Sheet at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The value of Infrastructure assets within the accounts includes a lump sum removal in 1998 when Peterborough City Council was formed, becoming independent of Cambridgeshire County Council. This lump sum is not broken down on an asset-by-asset basis. Other additions and enhancements are recorded at cost on a project-by-project basis rather than by asset, therefore additions and enhancements may relate to a number of individual Infrastructure assets.

Land and Building assets and Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal.

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

Depreciation

Land is held at current value and not depreciated. Property, Plant and Equipment assets other than land, are depreciated over their useful economic lives using the straight-line method. An exception is made regarding deprecation for assets without a determinable finite useful life (i.e. Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is applied using the following month convention, where depreciation

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is not charged in the month of acquisition but a full month's depreciation is charged in the month of disposal.

Useful economic lives for depreciating Property, Plant and Equipment assets are as follows:

- Buildings (including Surplus Assets) – 5 to 50 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- PFI schemes only: Vehicles, Plant, Furniture and Equipment– 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)
- Infrastructure – 40 years.

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

FAIR VALUE MEASUREMENT

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

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

CAPITAL ACCOUNTING

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

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

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

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

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

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

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

CHARGES TO REVENUE FOR LONG-TERM ASSETS

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

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page 32);
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- Amortisation of intangible long-term assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (see the Debt Redemption policy on page 45). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

HERITAGE ASSETS

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

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

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

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

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

INVESTMENT PROPERTIES

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

FINANCIAL LIABILITIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However where repurchase has taken place, as part of a restructuring of the loan portfolio that involves the modification or exchange of existing financial instruments, the premium or discount is respectively deducted from, or added to, the amortised cost of the new or modified loan. The write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain, or loss, over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to, or from, the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

Financial assets are classified as loans or receivables that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Loans and receivables are initially measured at fair value and subsequently carried at their amortised cost. Annual credits to the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the ‘Financing and investment income and expenditure’ line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

GOVERNMENT GRANTS

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

- Conditions are stipulations that specify that the future economic benefits or service potential embodied in transferred assets are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor;
- Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

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

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

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

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

COUNCIL TAX

In England, billing authorities act as agents on behalf of major preceptors in collecting council tax. This is because the legislative framework for the Collection Fund states that billing authorities and major preceptors share proportionately:

- the risks and rewards that the amount of council tax collected could be less or more than predicted;
- the effect of any bad debts written off;
- the movement in the impairment provision.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

LONG-TERM CONTRACTS

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

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

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

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

Annual unitary charges that are paid by the Council to PFI operators can be analysed into five elements:

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;

NOTES TO THE CORE FINANCIAL STATEMENTS

- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Prudent provision for PFI schemes is made within the annual unitary charge, based on the part of the unitary payment that goes to write down the matching liability for assets recognised on the Balance Sheet.

Central government support for PFI schemes is in the form of PFI credits. These are a measure of the private sector investment which is supported by central government departments and are a promise that PFI revenue grant can be claimed once the project is operational. The level of PFI credits determines the amount of grant that can be claimed by the Council, which is calculated as an annuity based on the level of PFI credits and the contract length.(Further detail on the PFI contracts is given in the PFI note, note 35.)

LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

- **Council as Lessee**

Finance leases

Property, plant and equipment assets held under a finance lease are recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor and initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability and contingent rents are charged as expenses in the years in which they are incurred. Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment and a finance charge.

As with other long-term assets, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution

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in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Operating leases

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

■ Council as Lessor

Finance leases

Where the Council grants a finance lease on a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the ‘Other operating expenditure’ line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property (applied to write down the lease debtor (together with any premiums received)), and finance income.
However, in the case of academy schools the Council does not recognise a long term debtor on the Balance Sheet. This is because the assets are transferred as 125 year leases which is deemed too long to be certain of any receivable value at the end of the lease period.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

CASH AND CASH EQUIVALENTS

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

POST EMPLOYMENT BENEFITS

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

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

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

The Teachers' Pension Scheme
The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined

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contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The Local Government Pension Scheme (LGPS)

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the indicative rate of return on an index of AA rated corporate bonds with maturities in excess of 15 years);
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – market value
  - unquoted securities – professional estimate
  - unitised securities – average of the bid and offer rates
  - property – market value;
- The change in the net pension liability is analysed into service cost and remeasurement components.

  Service Cost elements comprise:

  - **Current service cost**: the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - **Past service cost**: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement;
  - **Net interest on the net defined benefit liability** (i.e. the net interest expense for the Council) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the year, taking into account any changes in the net defined benefit liability during the year as a result of contribution and benefit payments.

  Remeasurements comprise:

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- **Expected return on plan assets**: excluding amounts included in the net interest on the net defined benefit liability. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- **Actuarial gains and losses**: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- **Contributions paid to the pension fund**: cash paid as employers contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

OVERHEADS AND THE ALLOCATION OF SUPPORT SERVICE COSTS

The full costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the total absorption costing principles of the *SeRCOP 2015-16*. Where the level of service is under the control of the Service Director, a specific charge for that service is made. No recharges are made for costs that are classified as Corporate and Democratic Core or non-distributed costs.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and recorded against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The Council's reserves are categorised as follows:

- **Usable reserves** - those reserves that contain resources that an authority can apply to the provision of services, either by incurring expenses or undertaking capital investment, whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves include the General Fund balance and Earmarked reserves;

- **Unusable reserves** – those that an authority is not able to utilise to provide services. This category of reserves includes:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains/ losses are realised as the assets are disposed of.
- Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve and the Accumulated Absences Account.

DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. From 2011-12 onwards the Council will only make a provision to repay debt on assets that are complete. Under option 3 of the Minimum Revenue Provision (MRP) guidance, charges will be spread over the estimated life of the asset in equal instalments.

The major proportion of the MRP will relate to the historic debt liability up to 31 March 2007 that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. This 'base' Capital Financing Requirement (CFR) position will be reduced by the MRP charged against it annually. From 1 April 2007 onwards, expenditure on completed assets will be subject to MRP charges based on the estimated useful life of the assets created.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. However, in the case of long term receivables arising from loans or other types of capital expenditure made by the Council which will be repaid under separate credit arrangements such as leasing and PFI, there will be no MRP made.

The Council is satisfied that a prudent provision will be achieved after exclusion of capital expenditure.

In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever the type of expenditure, it will be grouped in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

PROVISIONS

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

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

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

CONTINGENT LIABILITIES

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

VALUE ADDED TAX (VAT)

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Council Accounting in the United Kingdom 2016-17 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016, however no standards issued but not yet adopted are expected to have a material impact.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- Property valuations are provided by component on a rolling programme every five years by a combination of internal and independent external valuers, with moderation undertaken by the Council's internal valuers. In order to validate use of the rolling programme to undertake valuations, the Council performs an annual exercise to determine whether there is any material misstatement in the overall asset portfolio. If it is concluded that there is a material misstatement, then the revaluations will be brought up to date either by revaluation or by use of indices. All valuations are prepared in accordance with the Council's accounting policy (see note 1). Depreciation of capital assets is based on their useful economic life and any increase or decrease in useful lives will affect the level of depreciation and the carrying value of the assets;

- The Council currently has 3 PFI contracts with private sector partners. These are as follows:

  - AmeyCespa Limited – to provide waste treatment and household waste facilities for the county until 2036;
  - Balfour Beatty plc. – to replace Cambridgeshire's existing Street Lighting network, and subsequent maintenance until 2036; and
  - Equitix Learning Community Partnerships – for the construction of Thomas Clarkson Community College (with a concession period until January 2037) as part of the Building Schools for the Future programme.

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. This involves an indexation analysis that assesses when a depreciated replacement cost (DRC) asset was last revalued and applies an index to it based on Building Cost Information Service (BCIS) forecasts and land value calculations for every year since it was last revalued.In 2015-16 the Council's assets were increased by £33.6m as a result of this exercise; however it was estimated that this adjustment would have been £19m higher, if the indices used had been 1% higher for each year of the 5 year rolling programme.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately £38m (3%); • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £132m (10%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £97m (8%). However, the various assumptions interact in complex ways. During 2015-16, the Council's actuaries advised that the net pension liability had decreased by £80m, as a result of an increase in liabilities of £96m, and an offsetting decrease in asset values of £16m. This is due to financial assumptions being more favourable at the 31 March 2016 than they were at the 31 March 2015, contrasted by higher actual investment return on funds

NOTES TO THE CORE FINANCIAL STATEMENTS

5. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer.

A ‘non-adjusting’ event is indicative of conditions that arose after the Balance Sheet date.

‘Non-adjusting’ Events After The Balance Sheet Date

Schools converting to Academy status

Academies are publicly funded independent schools that were first introduced in 2000 to replace failing secondary schools, or provide new schools where there was not enough high quality provision. Subsequent legislation (Academies Act 2010) enabled many more high performing schools to be free to innovate and operate independently of local authorities.

A further 8 schools have, or are expected to open or convert to Academy status before the 31 March 2017, with further new schools opening and conversions expected to take place in future years. By the end of the 2016/17 financial year, it is expected that local authority maintained schools with a current net book value totalling £13.0m will have converted to Academy status since the Balance Sheet date, in addition to a further transfer of £15.3m of Assets Under Construction expenditure for new schools opening as Academies/Free schools. As with schools already converted, the assets of these schools will be derecognised from the Council’s Balance Sheet in 2016-17.

EU Referendum Result

Subsequent to the balance sheet date (31 March 2016), during both the lead up to the EU referendum and following the vote by the UK public to leave the EU, financial markets have been fragile leading to volatility of investment values. Despite the heightened uncertainty following the vote, the valuation of the pension fund’s investments in the period immediately following the vote has been marginally higher than the valuation at 31 March 2016. It is unclear what the long-term effects may be, however the Fund’s investment portfolio is sufficiently diversified that the overall impact is not expected to be significant. With respect to liabilities, corporate bond yields have recently reduced which would translate to an increase in IAS 19 pension liabilities.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements in balances in 2015-16:

2015-16	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	39,389	-	-	-39,389
Revaluation losses on Property Plant and Equipment	26,017	-	-	-26,017
Movements in the fair value of Investment Properties	69	-	-	-69
Revenue expenditure funded from capital under statute	23,568	-	-	-23,568
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	85,213	-	-	-85,213
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-31,442	-	-	31,442
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-53,251	-	2,650	50,601
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,718	4,718	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-6,157	-	6,157
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-51	-	-	51
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 23)	51,856	-	-	-51,856
Employer's pensions contributions and direct payments to pensioners payable in the year	-32,411	-	-	32,411
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-317	-	-	317
Adjustment involving the Accumulated Absences Account				

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NOTES TO THE CORE FINANCIAL STATEMENTS

2015-16	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,141	-	-	-2,141
Total Adjustments	106,063	-1,439	2,650	-107,274

Movements in balances in 2014-15:

2014-15	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	38,985	-	-	-38,985
Revaluation gains reversing previous revaluation losses on Property Plant and Equipment	-34,252	-	-	34,252
Movements in the fair value of Investment Properties	-	-	-	-
Revenue expenditure funded from capital under statute	7,157	-	-	-7,157
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,284	-	-	-21,284
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	-24,232	-	-	24,232
Capital expenditure charged against the General Fund	-597	-	-	597
Adjustments involving the Capital Grants and Contributions Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-10,121	-	1,048	9,073
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-5,350	5,350	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-5,350	-	5,350
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-56	-	-	56

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Usable Reserves			
	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 23)	51,087	-	-	-51,087
Employer's pensions contributions and direct payments to pensioners payable in the year	-29,839	-	-	29,839
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	-2,166	-	-	2,166
Adjustment involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-411	-	-	411
Total Adjustments	11,489	-	1,048	-12,537

NOTES TO THE CORE FINANCIAL STATEMENTS

7. TRANSFERS TO/FROM EARMARKED RESERVES

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

	Balance at 01 Apr-14 £000	Transfers Out 2014-15 £000	Transfers In 2014-15 £000	Balance at 31-Mar-15 £000	Transfers Out 2015-16 £000	Transfers In 2015-16 £000	Balance at 31-Mar-16 £000
Carry forward – Schools	**22,458**	-23,476	22,910	**21,892**	-22,443	21,195	**20,644**
Carry forward – Other	**12,031**	-19,285	13,948	**6,694**	-7,831	9,971	**8,834**
Insurance Reserve	**4,106**	-5,449	3,882	**2,539**	-4,048	4,373	**2,864**
Transformation Reserve	**-**	-	-	**-**	-	11,583	**11,853**
Other Earmarked Reserves	**15,458**	-13,171	21,236	**23,523**	-19,220	18,178	**22,481**
Total	**54,053**	**-61,381**	**61,976**	**54,648**	**-53,542**	**65,570**	**66,676**

8. OTHER OPERATING EXPENDITURE

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

2014-15 £000		2015-16 £000
15,935	Losses on the disposal of non-current assets	**59,194**
373	Levies	**376**
16,308	**Total**	**59,570**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2014-15 £000		2015-16 £000
24,737	Interest payable and similar charges	25,525
18,762	Net interest on the net defined benefit liability	17,829
-1,144	Interest receivable and similar income	-487
-	Income and expenditure in relation to investment properties and changes in their fair value	-57
58	Trading Accounts	35
42,413	**Total**	**42,845**

10. TAXATION AND NON-SPECIFIC GRANT INCOMES

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

2014-15 £000		2015-16 £000
-236,229	Council tax income	-245,076
-59,537	Non-domestic rates	-59,686
-86,879	Non-ringfenced government grants	-65,439
-10,122	Capital grants and contributions	-53,251
-392,767	**Total**	**-423,452**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2015-16 and 2014-15:

	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1-Apr-15	**1,051,085**	**17,840**	**845,920**	**686**	**5,621**	**34,800**	**1,955,952**	**102,523**
Additions	-	-	47,797	-	-	59,676	**107,473**	12,845
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	40,497	-	-	-	5,336	-	**51,833**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	-26,074	-	-	-	-1,363	-	**-27,437**	-
Derecognition and Disposals	-90,168	-	-2,998	-	-181	-	**-93,347**	-
Assets reclassified to (-)/ from Held for Sale	-369	-	-	-	-	-	**-369**	-
Assets reclassified to (-)/ from PPE	45,394	-	-410	-	-3,570	-41,414	**-**	-
Assets reclassified to (-)/ from Investment Properties	-2,728	-	-	-	-	-	**-2,728**	-
Other movements in Cost or Valuation	-21	-	-	-	-	-	**-21**	-
Transfers	-	-	-	-	-	-	**-**	-
At 31-Mar-16	**1,023,616**	**17,840**	**890,309**	**686**	**5,843**	**53,062**	**1,991,356**	**115,368**
Accumulated Depreciation and Impairment								
At 1-Apr-15	**-44,994**	**-13,960**	**-158,796**	**-**	**-303**	**-**	**-218,053**	**-41,831**
Depreciation charge	-15,968	-976	-22,445	-	-	-	**-39,389**	-3,767
Depreciation written out to the Revaluation Reserve	16,809	-	-	-	-136	-	**16,673**	-
Depreciation written out to the surplus/ deficit on the provision of services	1,536	-	-	-	115	-	**1,651**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-	-	-	-	-	-	**-**	-
Derecognition and Disposals	6,761	-	1,749	-	178	-	**8,688**	-
Other movements in Depreciation and Impairment	-147	-	-	-	146	-	**-1**	-
At 31-Mar-16	**-36,003**	**-14,936**	**-179,492**	**-**	**-**	**-**	**-230,431**	**-45,598**
Net Book Value								
At 31-Mar-16	**987,613**	**2,904**	**710,817**	**686**	**5,843**	**53,062**	**1,760,925**	**69,770**
At 31-Mar-15	**1,006,091**	**3,880**	**687,124**	**686**	**5,318**	**34,800**	**1,737,899**	**60,692**

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	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
[1]At 1-Apr-14 (Restated)	**870,098**	**13,439**	**795,073**	**646**	**4,787**	**62,391**	**1,746,434**	**85,797**
Additions	-	4,401	55,509	-	-	-8,834	**51,076**	16,726
Donations	-	-	-	-	-	-	**-**	-
Revaluation increases/ decreases (-) recognised in the Revaluation Reserve	148,330	-	-	40	95	-	**148,465**	-
Revaluation increases/ decreases (-) recognised in the surplus/ deficit on the Provision of services	35,536	-	-	-	-350	-	**35,186**	-
Derecognition and Disposals	-18,206	-	-4,662	-	-1	-	**-22,869**	-
Assets reclassified to (-)/ from Held for Sale	-3,411	-	-	-	1,090	-	**-2,321**	-
Other movements in Cost or Valuation	-19	-	-	-	-	-	**-19**	-
Transfers	18,757	-	-	-	-	-18,757	**-**	-
[1]At 31-Mar-15	**1,051,085**	**17,840**	**845,920**	**686**	**5,621**	**34,800**	**1,955,952**	**102,523**
Accumulated Depreciation and Impairment								
[1]At 1-Apr-14 (Restated)	**-49,346**	**-11,555**	**-140,313**	**-**	**-119**	**-**	**-201,333**	-37,139
Depreciation charge	-15,109	-2,405	-21,358	-	-113	-	**-38,985**	-4,692
Depreciation written out to the Revaluation Reserve	19,043	-	-	-	181	-	**19,224**	-
Depreciation written out to the surplus/ deficit on the provision of services	-881	-	-	-	85	-	**-796**	-
Impairment losses/ reversals (-) recognised in the Revaluation Reserve	81	-	-	-	-	-	**81**	-
Impairment losses/ reversals (-) recognised in the surplus/ deficit on the provision of services	-73	-	-	-	-	-	**-73**	-
Derecognition and Disposals	962	-	2,875	-	-8	-	**3,829**	-
Other movements in Depreciation and Impairment	329	-	-	-	-329	-	**-**	-
[1]At 31-Mar-15	**-44,994**	**-13,960**	**-158,796**	**-**	**-303**	**-**	**-218,053**	**-41,831**
Net Book Value								
[1]At 31-Mar-15	**1,006,091**	**3,880**	**687,124**	**686**	**5,318**	**34,800**	**1,737,899**	**60,692**
[1]At 31-Mar-14 (Restated)	**820,752**	**1,884**	**654,760**	**646**	**4,668**	**62,391**	**1,545,101**	**48,658**

Capital commitments

At 31 March 2016, the Council has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2015-16 and future years,

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budgeted to cost £67m. Similar commitments at 31 March 2015 were £106m. The major commitments are:

Expenditure approved and contracted		31-Mar-16 £000
First Northstowe Primary School	New 3 Form Entry primary school and community facilities	10,057
Hardwick Second Campus (Cambourne)	Extension to 2 Form Entry	2,027
Alconbury Primary School	New 3 Form Entry primary school	8,893
Maple Grove Primary School	Two class pre-school and single primary school class extension	2,488
The Grove Primary School, phase 2	Two class extension and alterations	1,191
Littleport Secondary School	New secondary, SEN and primary school	37,500
Fourfields Primary School	Three classroom extension and remodelling	1,070
Huntingdon Primary School	Three classroom extension and alterations	1,258
Trinity School	Conversion - extension, alterations and refurbishment	2,997
Total		**67,480**

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. In order to ensure that carrying values are kept in line with current values in the interim, the Council undertakes a material misstatement analysis annually and adjusts for any material variances if required. The 80% of 2015-16 valuations were carried out externally by RICS registered valuers, NPS Property Consultants Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors Valuation. The effective date of revaluation is the 1 April 2015.

The significant assumptions applied in estimating current values are:

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation of long-term assets

	Carried at historical cost:	Valued at fair value as at:					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
	£000	£000	£000	£000	£000	£000	£000
Land and Buildings		109,574	195,545	110,053	322,299	286,145	**1,023,616**
Vehicles, Plant, Furniture and Equipment		-	-	13,439	4,401	-	**17,840**
Infrastructure Assets	890,309						**890,309**
Community Assets	686						**686**
Surplus Assets		-	-	-	-	5,843	**5,843**
Assets Under Construction	53,062						**53,062**
	943,277	**109,574**	**195,545**	**123,492**	**326,700**	**291,988**	**1,991,356**
Assets Held for Sale		-	-	-	-	614	**614**
Investment Properties		-	-	-	-	2,658	**-**
Total	**944,057**	**109,574**	**195,545**	**123,492**	**326,700**	**292,602**	**1,991,970**

12. HERITAGE ASSETS

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

	Archives and Museum Collections £000	Art Collection £000	Total Assets £000
Valuation or cost			
1 April 2014	**20,565**	**150**	**20,715**
Additions during 2014-15	1	-	1
31 March 2015	**20,566**	**150**	**20,716**
1 April 2015	20,566	150	20,716
Additions during 2015-16	1	-	1
31 March 2016	**20,567**	**150**	**20,717**

Valuation

The Council's collection of archives, art works and other museum pieces are valued in the Balance Sheet at insurance valuation. The most recent valuations of archives and museum pieces was carried out by Bonhams in 2008, these valuations are repeated periodically. The Council has considered the collections during 2015-16 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council also holds a significant collection of archaeological artefacts and ecofacts. The collection receives the finds from all excavations within the county. This arrangement has existed since 1992, and the Council also holds some materials from before that date.

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection due to the diverse nature of the assets held and lack of comparable market values. The Council does not trade assets on the antiquities market, and holds these assets for their research and outreach values. Consequently, the Council does not recognise these assets on the Balance Sheet.

There are a small number of civic regalia items, principally the chains of office of the Chairperson of the Council, their deputy and their consorts. The financial value of these items is considered to be immaterial and prohibitively costly to obtain and as a result, the Council does not recognise these assets on the Balance Sheet.

Reclassification and zero values

There are some monuments and listed buildings contained within the Council's farms estate, or associated with infrastructure and operational assets. Where assets are in use primarily for any purpose other than the preservation and promotion of knowledge or culture, or cannot be reasonably detached from such assets, the Council deems that the heritage asset designation is not appropriate.

All of these types of assets are longstanding holdings of the Council, which have a historic cost valuation much lower than their estimated market value. In most cases the carrying amount is zero, and depreciation and impairment do not need to be recognised.

13. LONG-TERM DEBTORS

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

31-Mar-15 £000		31-Mar-16 £000
2,513	Bodies external to general government (i.e. all other bodies)	3,880
626	Central government bodies	418
0	Long term finance lease receivable	21,300
3,139	**Total**	**25,598**

14. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-term		Current	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£000	£000	£000	£000
Investments:				
Available-for-sale financial assets	400	-	-	50
Total investments	400	-	0	50
Cash and cash equivalents:				
Cash and cash equivalents	0	-	1,064	37,462
Total cash and cash equivalents	0	-	1,064	37,462
Loans and receivables:				
Loans and receivables (excluding prepayments)	25,598	3,139	48,457	57,118
Total receivables	25,598	3,139	48,457	57,118
Borrowings:				
Financial liabilities at amortised cost	-356,305	-356,190	-3,428	-26,557
Total borrowings	-356,305	-356,190	-3,428	-26,557
Other liabilities:				
Other liabilities	-120,402	-110,770	-97,668	-102,196
Total other liabilities	-120,402	-110,770	-97,668	-102,196

Income, Expense, Gains and Losses

	2015-16				2014-15			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale	Total £000
Interest expense	25,525	-	-		24,737	-		24,737
Total expense in the Deficit on the Provision of Services	25,525	-	-	25,525	24,737	-		24,737
Interest income	-	-300	-187	-487	-	-1,144		-1,144
Total income in the Deficit on the Provision of Services	-	-300	-187	-487	-	-1,144		-1,144
Net gain (-) / loss for the year	25,525	-300	-187	25,038	24,737	-1,144		23,593

NOTES TO THE CORE FINANCIAL STATEMENTS

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 authority 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 authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**31-Mar-15**	**31-Mar-16**
			£000	**£000**
Available for Sale - Certificate of Deposits	Level 1	Unadjusted quoted prices in active market for identical shares.	-	-
Total			-	-

At the balance sheet date no Certificates of Deposits were held. The fair value of such instruments is calculated by using published price quotations.

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 2016 is £400k.

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 (described in the table above, zero for 2014/15 and 2015/16), 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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

- Where an instrument has a maturity of less than 12 months or is a trade 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 and held with Money Market Funds and notice accounts. 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:

	31 March 2015		31 March 2016	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-302,507	-401,217	**-279,494**	**-378,759**
Non-PWLB borrowing	-80,240	-117,047	**-80,240**	**-121,527**
Short term creditors/payables	-99,484	-99,484	**-94,455**	**-94,455**
Short term finance lease & PFI liability	-2,712	-2,712	**-3,213**	**-3,213**
Long term finance lease & PFI liability	-110,770	-110,770	**-120,402**	**-120,402**
Financial liabilities	**-595,713**	**-731,230**	**-577,804**	**-718,356**

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 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £378.859m 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 authority 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 authority 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 authority 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 £279.494m would be valued at £336.485m. But if the authority 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

	31 March 2015		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fixed term investments	0	0	0	0
Cash and Cash Equivalents	37,462	37,462	**1,064**	**1,064**
Short term debtors (excluding prepayments)	57,118	57,118	**48,457**	**48,457**
Long term debtors	3,139	3,139	**25,598**	**25,598**
Loans and receivables	**97,719**	**97,719**	**75,119**	**75,119**
Certificate of Deposits	0	0	0	0
Municipal Bonds Agency	50	50	400	400
Available for Sale	**50**	**50**	**400**	**400**

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.

15. INVESTMENT PROPERTIES

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2014-15 £000		2015-16 £000
-	Rental income from investment property	-127

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
-	**Balance outstanding at start of year**	-
	Additions:	
-	Purchases	
-	Construction	-
-	Subsequent Expenditure	-
	Disposals	
	Net gains/losses from fair value adjustments	-70
-	Transfers:	-
-	to/from Inventories	
	to/from PPE	2,728
	Other changes	
-	**Balance outstanding at year-end**	2,658

16. FAIR VALUE HIERARCHY

The Council's Surplus Assets, Assets Held for Sale and Investment Properties have been valued according to the following fair value hierarchy:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2016 £000
Surplus Assets	3,609	2,234	5,843
Assets Held for Sale	147	467	614
Investment Assets	947	1,712	2,658
	4,703	4,413	9,116

There have been no transfers between Levels 2 and 3 during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation Techniques

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

Level	Disclosure Category	Valuation Approach
2	Retail / car park, Industrial land / Artist Studios / Offices let on leases for open market rents	Term and Reversion valuation to derive Fair Value based on net rent for term and reversion applying an appropriate “all in” risks yield based on comparable evidence. The net rents are assessed considering comparable evidence for similar transactions for similar properties in similar locations, adjusted to allow for factors such as lease terms and location. The yields are chosen by comparison to similar transactions adjusted to allow for factors such as lease terms, strength of covenant, rent review periods and voids.
2	Agricultural Land	Term and reversion valuation to derive Fair Value, using rent passing and future likely increases and applying an appropriate “all in” risks yield based on comparable evidence. The rents are assessed considering comparable evidence. Depending on agricultural lease type e.g. FBT or AHA. Reversions are generally to vacant possession as capital values typically are higher than capitalised rental values.
3	Land and/or buildings with development potential, or potential for alternative uses.	Comparable transactions and / or residual valuations. Comparable transactions consider what similar land has been sold for pro-rata and adjustments made to it to arrive at a value Residual valuations assess gross development values and deduct gross development costs to arrive at a residual land value.
3	Ground Rents of industrial, storage, retail and car park land. Unusual properties where little comparable evidence is available for some reason. Properties in disrepair or where decontamination is required and costs are unknown.	Term and reversion valuations to derive Fair Value, using rent passing and applying an appropriate all in risk yield based on comparable evidence. Rents are assessed considering comparable evidence for similar transactions. The yields are chosen by comparison to similar transactions and adjusted to allow for factors such as remaining term, strength of covenant, security of income and rent review period and proximity to reversion.

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NOTES TO THE CORE FINANCIAL STATEMENTS

Highest and Best Use

In estimating the fair value of the Council's investment and surplus properties, the highest and best use is their current use.

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

Fair value movements for assets categorised within level 3:	**31-Mar-16** **£000**
Opening balance	**2,066**
Reclasses between PPE, AHFS and Investment Properties	**1,254**
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	**1,093**
Total Short Term Receivables	**4,413**

Gains or losses arising from changes in the fair value of level assets are recognised in the Surplus or Deficit on the Provision of Services in the Adult Social Care and Corporate and Democratic Core lines.

17. SHORT TERM DEBTORS

An analysis between Central Government departments and other debtors is given below.

31-Mar-15 **£000**		**31-Mar-16** **£000**
23,202	Central government bodies	**8,405**
1,485	NHS bodies	**2,149**
751	Public corporations and trading funds	**-**
40,070	Other local authorities, entities and individuals	**43,039**
65,508	**Total Short Term Debtors**	**53,593**

18. 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.

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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-15 £000		31-Mar-16 £000
21,896	Cash held by the Council	1,064
15,552	Cash equivalents	0
276	School bank accounts	0
-262	Overdraft	0
37,462	**Total Cash and Cash Equivalents**	**1,064**

19. SHORT TERM CREDITORS

An analysis between Central Government departments and other creditors is given below.

31-Mar-15 £000		31-Mar-16 £000
-7,296	Central government bodies	-5,469
-2,614	NHS bodies	-2,646
-34	Public corporations and trading funds	-
-92,252	Other local authorities, entities and individuals	-89,553
-102,196	**Total Short Term Creditors**	**-97,668**

20. PROVISIONS

The Council has made specific provisions to 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 as follows:

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	Balance at 1-Apr-15	Provisions arising & adjusted	Provisions utilised	Provisions reversed	Balance at 31-Mar-16
	£000	£000	£000	£000	£000
Current:					
Insurance	**2,356**	1,150	0	0	**3,506**
Other Corporate Provisions (<£1m)	**1,815**	489	0	-154	**2,150**
Long-term:					
Insurance	**3,613**	0	0	0	**3,613**
Total	**7,784**	**1,639**	**0**	**-154**	**9,269**

Insurance

This provision is used to meet insurance claims funded by the Council. It is related to claims that are more likely than not to be payable. Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.
MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid under the insurance arrangements plus the amount outstanding under this arrangement is £14.2m. As a result of the imposition of the levy, the Council has made a levy payment of £2.1m and is also liable to contribute to each and every subsequent claim payment made by MMI on the Council's behalf, thereby creating an on-going financial obligation. MMI's financial position has continued to deteriorate and the insurance fund has a provision to fund the extension of the levy from 15% to 25%. As a result a further payment is due to be made in 2016/17 in the sum of £1.4m to meet this historic liability.

Mobilising Local Energy Investment

The Mobilising Local Energy Investment (MLEI) project commenced in April 2013 with the aim of attracting more energy investment and infrastructure delivery into Cambridgeshire and Peterborough. The focus is on low carbon energy generation and energy efficiency infrastructure, initially from the public sector and community projects, while remaining open to commercial projects. The Council has determined that a provision of £669k is sufficient to cover its potential liability in relation to the repayment of grant funding to the EU, should it be unable to secure £15m of additional funding towards energy schemes.

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

21. OTHER LONG TERM LIABILITIES

An analysis of other long term liabilities is shown below:

31-Mar-15 £000		31-Mar-16 £000
-559,255	Pensions Liabilities	-479,437
-131	Long term finance lease (non- PFI)	-131
-110,639	Long term finance lease (PFI)	-120,271
-626	Deferred credits	-418
-670,651	**Total**	**-600,257**

22. USABLE RESERVES

Usable reserves are those reserves that contain resources that a Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. The Council's usable reserves are as follows:

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

- **Earmarked Reserves** – these are resources set-aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. Further analysis of earmarked reserves is shown within note 7 (page 53);

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

this reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 25).

23. UNUSABLE RESERVES

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

31-Mar-15 £000		31-Mar-16 £000
432,081	Revaluation Reserve	**481,294**
706,983	Capital Adjustment Account	**640,149**
-1,331	Financial Instruments Adjustment Account	**-1,280**
-559,255	Pensions Reserve	**-479,438**
-60	Collection Fund Adjustment Account	**257**
-8,031	Accumulated Absences Account	**-10,172**
570,387	**Total Unusable Reserves**	**630,810**

Revaluation Reserve

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

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

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

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2014-15 £000	Revaluation Reserve	2015-16 £000
321,380	**Balance at 1st April**	**432,081**
170,107	Upward revaluation of assets	**72,459**
-2,352	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**-4,024**
489,135	**Surplus or deficit on revaluation of long-term assets not posted to the Surplus or Deficit on the Provision of Services**	**500,516**
-5,171	Difference between fair value depreciation and historical cost depreciation	**-6,731**
-51,883	Accumulated gains on assets sold or scrapped	**-12,491**
-57,054	**Amount written off to the Capital Adjustment Account**	**-19,222**
432,081	**Balance at 31st March**	**481,294**

Capital Adjustment Account

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

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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2014-15 £000	Capital Adjustment Account	2015-16 £000
643,850	**Balance at 1st April**	706,983
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-38,985	Charges for depreciation and impairment of long-term assets	-39,389
34,252	Revaluation gains reversing previous losses on Property, Plant and Equipment	-26,017
-7,157	Revenue expenditure funded from capital under statute	-23,568
-21,284	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-85,213
57,054	Adjusting amounts written out of the Revaluation Reserve	19,222
667,730	**Net written out amount of the cost of non-current assets consumed in the year**	552,018
	Capital financing applied in the year:	
5,350	Use of the Capital Receipts Reserve to finance new capital expenditure	6,157
9,073	Application of grants to capital financing from the Capital Grants and Contributions Unapplied Account	50,601
24,232	Statutory provision for the financing of capital investment charged against the General Fund	31,442
598	Capital expenditure charged against the General Fund	-
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-69
706,983	**Balance at 31st March**	640,149

Pensions Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Pensions Reserve	2015-16 £000
-437,786	**Balance at 1st April**	**-559,255**
-100,221	Remeasurement of net defined liability	**99,262**
-51,087	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**-51,856**
29,839	Employer's pensions contributions and direct payments to pensioners payable in the year	**32,411**
-559,255	**Balance at 31st March**	**-479,438**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014-15 £000	Accumulated Absences Account	2015-16 £000
-8,442	**Balance at 1st April**	**-8,031**
8,442	Settlement/cancellation of accrual made at the end of the preceding year	**8,031**
-8,031	Amounts accrued at the end of the current year	**-10,172**
411	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration charged in the year in accordance with statutory requirements	**-2,141**
-8,031	**Balance at 31st March**	**-10,172**

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the '*SeRCOP'*. However, decisions about resource allocation were taken by the Council's General Purposes Committee on the basis of budget reports analysed across Services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;

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NOTES TO THE CORE FINANCIAL STATEMENTS

The income and expenditure of the Council's principal services recorded in the budget reports for the 2015-16 and 2014-15 financial years are as follows:

2015-16	**Children, Families and Adults £000**	**Economy, Transport and Environment £000**	**Corporate Directorates and LGSS £000**	**Public Health £000**	**Total £000**
Fees, charges and other service income	-92,647	-16,321	-20,560	-	**-129,528**
Government grants	-291,555	-10,581	-705	-17,003	**-319,844**
Total Income	**-384,202**	**-26,902**	**-21,265**	**-17,003**	**-449,372**
Employee expenses	259,442	20,273	21,116	2,250	**303,081**
Other service expenses	383,130	76,937	26,683	14,753	**501,503**
Total Expenditure	**642,572**	**97,210**	**47,799**	**17,003**	**804,584**
Net Expenditure	**258,370**	**70,308**	**26,534**	**-**	**355,212**

2014-15	**Children, Families and Adults £000**	**Economy, Transport and Environment £000**	**Corporate Directorates and LGSS £000**	**Public Health £000**	**Total £000**
Fees, charges and other service income	-93,763	-16,529	-20,492	-	**-130,784**
Government grants	-271,441	-12,632	-742	-20,453	**-305,268**
Total Income	**-365,204**	**-29,161**	**-21,234**	**-20,453**	**-436,052**
Employee expenses	251,242	20,119	23,326	2,155	**296,842**
Other service expenses	385,262	79,930	33,116	18,298	**516,606**
Total Expenditure	**636,504**	**100,049**	**56,442**	**20,453**	**813,448**
Net Expenditure	**271,300**	**70,888**	**35,208**	**-**	**377,396**

Cambridgeshire County Council

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Reconciliation of service income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014-15 £000		2015-16 £000
377,396	Net expenditure in the Service Analysis	355,212
-36,121	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	56,941
341,275	**Cost of services in the Comprehensive Income and Expenditure Statement**	**412,153**

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2015-16	Service Analysis £000	Amounts not reported to management for decision making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	-129,528	-	-129,528	-	-129,528
Interest and investment income	-	-	-	-487	-487
Income from council tax	-	-	-	-245,076	-245,076
Government grants and contributions	-319,844	-	-319,844	-178,376	-498,220
Total Income	**-449,372**	**-**	**-449,372**	**-423,939**	**-873,311**
Employee expenses	303,081	2,141	305,222	-	305,222
Other service expenses	501,503	[1] 15,411	516,914	[2] 17,807	534,721
Depreciation, amortisation and impairment	-	39,389	39,389	-	39,389
Interest payments	-	-	-	25,525	25,525
Precepts and levies	-	-	-	376	376
Gain or loss on disposal of long-term assets	-	-	-	59,194	59,194
Total Expenditure	**804,584**	**56,941**	**861,525**	**102,902**	**964,427**
Surplus(-)/ deficit on the provision of services	**355,212**	**56,941**	**412,153**	**-321,037**	**91,116**

1 Other service expenses include adjustments such as due to IAS19 and non- current assets
2 Other service expenses include pensions interest cost and expected return on pensions assets

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15	Service Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000
Fees, charges and other service income	-130,784	-	**-130,784**	-	**-130,784**
Interest and investment income	-	-	**-**	-1,144	**-1,144**
Income from council tax	-	-	**-**	-236,229	**-236,229**
Government grants and contributions	-305,268	-	**-305,268**	-156,538	**-461,806**
Total Income	**-436,052**	**-**	**-436,052**	**-393,911**	**-829,963**
Employee expenses	296,842	-409	**296,433**	-	**296,433**
Other service expenses	516,606	-74,697	**441,909**	18,820	**460,729**
Depreciation, amortisation and impairment	-	38,985	**38,985**	-	**38,985**
Interest payments	-	-	**-**	24,737	**24,737**
Precepts and levies	-	-	**-**	373	**373**
Gain or loss on disposal of long-term assets	-	-	**-**	15,935	**15,935**
Total Expenditure	**813,448**	**-36,121**	**777,327**	**59,865**	**837,192**
Surplus(-)/ deficit on the provision of services	**377,396**	**-36,121**	**341,275**	**-334,046**	**7,229**

25. TRADING OPERATIONS

The Council has established trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or external customers.

Only the net deficit on external trading is shown separately in the Comprehensive Income and Expenditure Statement. Surpluses and deficits on internal trading are included within Net Cost of Services on the SeRCOP line to which they relate. Details of those units with turnover greater than £5m or a deficit greater than £100,000 in 2015-16 are as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Catering, Cleaning, Groomfields & Grounds Management (CCS)	
-18,443	Turnover	-19,476
18,501	Expenditure	19,459
58	**Surplus(-)/ Deficit**	**-17**
	Other trading units	
-7,363	Turnover	-8,383
7,374	Expenditure	8,407
11	**Surplus(-)/ Deficit**	**24**
69	**Total Surplus (-)/ Deficit**	**7**
21	**Adjustment of Surplus (-)/ Deficit for other non-material external trading**	46
-32	**Adjustment to exclude Surplus (-)/ Deficit internal trading**	-18
58	**Net Surplus (-)/ Deficit on trading operations**	**35**

Catering, Cleaning, Groomfields and Grounds Management

The service provides catering, cleaning and caretaker services, and all elements of grounds maintenance to school sites and where appropriate develops them in accordance with the National Curriculum and standards.

Other trading units

These include Education Information and Communication Technology (ICT), Cambridgeshire Music and the Grafham Water Centre.

26. POOLED BUDGETS

Better Care Fund

Effective from the 1 April 2015, Cambridgeshire County Council began hosting the Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better health and care outcomes for the local community.

The fund operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the local NHS. The partners planned expenditure together through the fund including:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers
- Social Care spending on reablement, extra care and a range of other services
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act.
- Disabled Facilities Grant for accommodation adaptations managed by the district Councils
- Jointly managed transformation projects

The financial results for the first year of the Better Care Fund are as follows:

2015-16	Pooled Budget Better Care Fund £000
Funding provided to the pooled budget:	
- the Council	3,218
- NHS Cambridgeshire	34,451
Subtotal	37,669
Expenditure met from the pooled budget:	
- the Council	17,824
- NHS Cambridgeshire	19,081
Subtotal	**36,905**
Net surplus (-)/ deficit on the pooled budget during the year	**(764)**
Council share of the net surplus (-)/ deficit on the pooled budget	**(382)**

The surplus arises in the jointly managed transformation projects, and is carried forward into the fund for 2016/17.

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council as a result of the fund is £15.452m.

Other pooled budgets

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

- NHS Cambridgeshire, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 48% of the budget;
- NHS Cambridgeshire, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 20% of the budget.

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

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2015-16	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	-2,225	-59,596
- NHS Cambridgeshire	-2,087	-15,205
Subtotal	-4,312	-74,801
Expenditure met from the pooled budget:		
- the Council	2,183	61,686
- NHS Cambridgeshire	2,047	15,741
Subtotal	4,230	77,427
Net surplus (-)/ deficit on the pooled budget during the year	**-82**	**2,626**
Council share of the net surplus (-)/ deficit on the pooled budget	**-42**	**2,090**

2014-15	Pooled Budget	
	Integrated Community Equipment Service £000	Learning Disability Partnership £000
Funding provided to the pooled budget:		
- the Council	-2,252	-57,836
- NHS Cambridgeshire	-2,112	-14,675
Subtotal	-4.364	-72,511
Expenditure met from the pooled budget:		
- the Council	2,016	58,945
- NHS Cambridgeshire	1,891	14,957
Subtotal	3.907	73,902
Net surplus (-) on the pooled budget during the year	**-457**	**1,391**
Council share of the net surplus (-) on the pooled budget	**-236**	**1,109**

NOTES TO THE CORE FINANCIAL STATEMENTS

27. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2015-16 were £812,491 (£810,577 in 2014-15) and expenses totalled £48,306 (£47,249 in 2014-15).

28. OFFICERS' REMUNERATION

Senior Employees

Regulation 4 of the Accounts and Audit (Amendment number 2) (England) Regulations 2009 [SI 2009 number 3322)] involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. These regulations came into force on 31 March 2010 and require authorities to publish detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

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

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

The Council's senior employee remuneration for 2015-16 (and 2014-15) is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

			Salary, Fees, and Allowances	Expenses Allowances	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£	£	£	£
Chief Executive (Gillian Beasley)	1	**2015-16**	78,241	0	12,404	**90,645**
		2014-15	0	0	0	**0**
Chief Executive (Mark Lloyd)	2	**2015-16**	111,343	1,089	23,003	**135,435**
		2014-15	188,970	1,413	37,794	**228,177**
Executive Director: Children, Families and Adults		**2015-16**	136,726	1,060	28,248	**166,034**
		2014-15	130,278	822	26,056	**157,156**
Executive Director: Economy, Transport and Environment Services		**2015-16**	123,271	0	25,468	**148,739**
		2014-15	122,050	0	24,410	**146,460**
Corporate Director: Customer Service and Transformation		**2015-16**	92,474	539	19,105	**112,118**
	3	**2014-15**	83,928	255	17,027	**101,210**
Director of Public Health	4	**2015-16**	104,760	2,427	13,690	**120,877**
	4	**2014-15**	105,136	0	13,455	**118,591**
LGSS Senior employees: LGSS Directors work across Cambridgeshire and Northamptonshire County Councils and with other LGSS customers as required. The costs are shared across both CCC and NCC.						
LGSS Managing Director	5	**2015-16**	132,802	4,274	16,344	**153,419**
	5	**2014-15**	132,007	3,019	15,627	**150,653**
LGSS Director of Finance (Section 151 Officer for Northamptonshire County Council)	5	**2015-16**	118,890	646	15,218	**134,754**
	5	**2014-15**	117,742	1,277	15,071	**134,090**
LGSS Director of People, Transformation and Transactional Services	5	**2015-16**	139,736	1,348	17,886	**158,970**
	5	**2014-15**	121,964	1,171	15,611	**138,746**
LGSS Director of IT Services	5	**2015-16**	126,544	3,470	14,918	**144,932**
	6	**2014-15**	111,615	1,434	22,323	**135,372**
LGSS Director of Law and Governance	7	**2015-16**	106,925	2,570	17,963	**127,458**
	5	**2014-15**	96,003	2,431	19,201	**117,635**
LGSS Chief Finance Officer (Section 151 Officer for Cambridgeshire County Council)	6	**2015-16**	99,963	1,469	20,652	**122,084**
	6	**2014-15**	96,780	1,512	19,356	**117,648**

Notes:

1. The Chief Executive joined the organisation on 19th October 2015 as a Shared Chief Executive with Peterborough City Council. The Chief Executive's employment contract is with Peterborough City Council; the full remuneration costs for both Chief Executive roles for the 19th October 2015- 31st March 2016 period are shown above.

NOTES TO THE CORE FINANCIAL STATEMENTS

The cost to Cambridgeshire County Council for the share of the 19th October 2015- 31st March 2016 costs was £49,348.
The total remuneration costs for both roles for the full year were £201,067.

2. The Chief Executive left the organisation on 31st October 2015.
3. The Corporate Director: Customer Service and Transformation started on the 1 May 2014.
4. The Director of Public Health works jointly with Peterborough City Council (from 1st March 2015) and PCC pays a fixed contribution to CCC for the salary. In 2015-16 this was £52.3k (2014-15 £4,361).
5. These staff are on the NCC payroll.
6. These staff are on the CCC payroll.
7. The LGSS Director of Law and Governance was paid by LGSS Law Ltd. for 2015-16 except for £32k due to Procurement and Democratic Services work.

Employee remuneration above £50,000

In addition, the number of Council staff (including teachers but excluding senior employees) with remuneration above £50,000 is as follows:

Remuneration Banding	2015-16	2014-15
£50,000 - £54,999	**70**	**75**
£55,000 - £59,999	**51**	**66**
£60,000 - £64,999	**49**	**37**
£65,000 - £69,999	**24**	**24**
£70,000 - £74,999	**11**	**11**
£75,000 - £79,999	**6**	**3**
£80,000 - £84,999	**2**	**2**
£85,000 - £89,999	**3**	**4**
£90,000 - £94,999	**3**	**5**
£95,000 - £99,999	2	3
£130,000 - £134,999	1	0
Total	**222**	**230**

Approximately two-thirds of the employees referred to in the above table are employed in Cambridgeshire schools.

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

	Number of compulsory redundancies		Number of other departures with exit package		Total number of exit packages		Total cost of exit packages £000	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
£0 - £20,000	74	**94**	**60**	**72**	134	**166**	430	**323**
£20,001 - £40,000	15	**12**	**1**	**1**	16	**13**	443	**360**
£40,001 - £60,000	1	**1**	**-**	**1**	1	**2**	45	**103**
£60,001 - £80,000	2	**3**	**-**	**0**	2	**3**	138	**206**
£80,001 - £100,000	-	**0**	**-**	**0**	-	**0**	-	**0**
£100,001 - £150,000	-	**1**	**-**	**0**	-	**1**	-	**132**
Total	**92**	**111**	**61**	**74**	**153**	**185**	**1,056**	**1,124**

NOTES TO THE CORE FINANCIAL STATEMENTS

29. EXTERNAL AUDIT COSTS

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

[1]2014-15 £000		[2]2015-16 £000
179	Fees payable with regard to external audit services carried out by the appointed auditor	94
10	Fees payable to appointed auditor for certification of grant claims and returns	0
4	Fees payable in respect of other services provided by the appointed auditor	8
193	**Total**	**102**

[1] The 2014-15 figures relate to PwC.
[2] The 2015-16 figures relate to BDO.

30. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015-16 are as follows:

	Central expenditure £000	Individual schools budget (ISB) £000	Total £000
Final DSG for 2015-16 before Academy recoupment			412,749
Academy figure recouped for 2015-16			170,610
Total DSG after Academy recoupment for 2015-16			**242,139**
Brought forward from 2014-15			4,560
Carry forward to 2016-17 agreed in advance			0
Agreed initial budgeted distribution in 2015-16	54,101	192,599	**246,699**
In year adjustments	-	972	**972**
Final budget distribution for 2015-16	**54,101**	**193,571**	**247,671**

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Less: Actual central expenditure	51,649		51,649
Less: Actual ISB deployed to schools		193,571	193,571
Plus: Local authority contribution for 2015-16	-	-	-
Carry-forward to 2016-17	**2,452**	**0**	**2,452**

31. GRANT INCOME

Material items of grant income supplied without restrictions

The following is a list of all unrestricted revenue grants received during 2015-16 (and 2014-15) that are in excess of £1 million:

[1]2014-15 £000		2015-16 £000
57,927	Redistributed Business Rates	58,705
72,017	Revenue Support Grant	53,669
10,652	NHS Funding	-
-	Better Care Fund (Financing)	15,457
6,366	Education Services Grant	5,103
4,853	Building Schools for the Future PFI Grant	4,853
3,944	Street Lighting PFI Grant	3,944
3,334	New Homes Bonus	4,413
2,691	Waste PFI Grant	2,691
2,139	Adult Safeguarded Learning Grants	1,442
-	Adult Social Care New Burdens (Care Act & Carers)	3,193
1,571	Primary Schools Sports Funding	1,561
1,302	Business Rates Compensation Grant	1,652
-	Independent Living Fund	1,037
166,796	**Total**	**157,720**

[1] The Social Fund Grant (£1,028k in 2014-15) is now below the £1m threshold. The previous year Grant total has been adjusted accordingly

Cambridgeshire County Council

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Grant income supplied with mandated requirements

The following is a list of all conditional revenue grants received in excess of £1 million during 2015-16:

2014-15 £000		2015-16 £000
235,131	Dedicated Schools Grant	242,139
21,450	Public Health Grant	24,405
2,796	School Sixth Forms Funding	2,308
10,957	Pupil Premiums	10,498
270,334	**Total**	**279,350**

Capital Grants receipts in advance

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

31-Mar-15 £000		31-Mar-16 £000
	Current:	
	Grants	
280	Building Schools for the Future project	**61**
4,543	Standards Fund capital grants	**961**
	Contributions	
19,870	Section 106 contributions and Community Infrastructure levy	**13,954**
5,171	Other contributions	**7,683**
	Long Term:	
	Contributions	
12,974	Section 106 contributions	**22,921**
0	City Deal Funding	**17,779**
1	Other contributions	**1,324**
42,839	**Total**	**64,683**

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NOTES TO THE CORE FINANCIAL STATEMENTS

32. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in note 31.

Member and Senior Officer declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them. No significant interests have been disclosed.

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

Other Public Bodies (subject to common control by central government)

The Council has 2 pooled budget arrangements with NHS Cambridgeshire for the provision of services for people with learning disabilities and an integrated community equipment service.

In addition, The Better Care Fund (BCF) was announced in June 2013 to drive the transformation of local services to ensure that people receive better and more integrated care and support. Where funding would have been split between the local authorities and Clinical Commissioning Groups (CCGs) it is now pooled to deliver services both efficiently and cooperatively.

In Cambridgeshire this has resulted in the Better Care Fund programme which brings together organisations including the County Council, Cambridgeshire and Peterborough CCG, Acute Trusts, Community Trusts, Mental Health Trusts, District Councils and the Voluntary Sector.

Further Details for each of these pooled budgets and the Better Care Fund can be found in note 26.

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2016:

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	LGSS with Northamptonshire County Council			
Legal status of entity	Joint Committee			
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services			
Council's share of entity		50%		50%
		£000		£000
	2014-15	CCC share	2015-16	CCC share
Net expenditure*	22,686		24,829	
Surplus*	-652	-326	-20	-10

*This is the total position for LGSS (excluding budgets managed on behalf of CCC and NCC)

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS provides complete back office services and corporate support functions to Cambridgeshire and Northamptonshire County Councils, as well as specific support functions to Norwich City Council. In recent years, LGSS has secured major new partnerships across the region with many other public service organisations including several District & Borough Councils (e.g. Northampton Borough), NHS Health Bodies, Adult Social Care (e.g. Olympus Care Services) and schools.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.257m (2014-15 £2.365m).

Cambridge and Counties Bank

Cambridge and Counties Bank specialises in providing lending and deposit products to UK-based SME's. Its key products include business deposits, loans secured on property, secured pension lending and asset finance.

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall College (each owning a 50% share). The current market value of the Pension Fund's investment at 31 March 2016 is £43m.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2016 was £663m (£621m at 31 March 2015).

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Expenditure funded from capital:	
51,058	Property, Plant and Equipment	**107,452**
-	Investment Properties	**0**
7,157	Revenue Expenditure Funded from Capital under Statute	**23,568**
	Sources of finance	
-5,350	Capital receipts	**-6,157**
-9,073	Government grants and other contributions	**-50,601**
-598	Direct Revenue Contributions	**-**
	Sum set aside from revenue:	
-24,232	MRP/ loans fund principal	**-31,442**
18,962	**Increase in Capital Financing Requirement**	**42,820**
	Explanation of movements in year	
35,688	Increase in underlying need to borrow (unsupported by government financial assistance)	**55,665**
-16,726	Assets acquired under PFI contracts	-12,845
18,962	**Increase in Capital Financing Requirement**	**42,820**

34. LEASES

Council as Lessee:

(i) Finance Leases

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

31-Mar-15 £000		31-Mar-16 £000
36,990	Other Land and Buildings	**36,763**

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

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

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MLP 31-Mar-15 £000	FLL 31-Mar-15 £000		MLP 31-Mar-16 £000	FLL 31-Mar-16 £000
9	5	Not later than 1 year	11	5
36	19	Later than 1 year and not later than 5 years	45	19
312	72	Later than 5 years	460	68
357	96	Total	516	92

(ii) Operating Leases

The Council has acquired a number of land and buildings, including libraries, caretakers houses and day centres, under operating leases, with lives ranging from 1 to 999 years.

The future minimum lease payments due under non-cancellable leases in future years are:

31-Mar-15 £000		31-Mar-16 £000
870	Not later than 1 year	921
2,583	Later than 1 year and not later than 5 years	2,441
3,659	Later than 5 years	4,257
7,112	Total	7,619

The expenditure charged to Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31-Mar-15 £000		31-Mar-15 £000
799	Minimum lease payments	983
76	Contingent rents	-
875	Total	983

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a new lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise

NOTES TO THE CORE FINANCIAL STATEMENTS

settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

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

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

MLP 31-Mar-15 £000	GI 31-Mar-15 £000		MLP 31-Mar-16 £000	GI 31-Mar-16 £000
124	111	Not later than 1 year	1,266	238
269	185	Later than 1 year and not later than 5 years	5,600	4,432
261	123	Later than 5 years	165,138	14,542
654	**419**	**Total**	**172,004**	**19,212**

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms, however the Council did also sign in January 2016 a lease for Castle Court (previously one of the Council's office buildings) to Study Inn Investments Ltd for the purposes of student accommodation. This has increased the future minimum lease payments significantly.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-15 £000		31-Mar-16 £000
4,535	Not later than 1 year	4,702
14,755	Later than 1 year and not later than 5 years	14,532
48,699	Later than 5 years	28,400
68,007	**Total**	**47,634**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

For 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	**Comprehensive Income and Expenditure Statement**	**2015-16 £000**	
11,208	Fair Value of Services Provided	**11,488**	
5,096	Interest payable on the finance lease liability	**5,074**	
208	Repayment of Capital	**494**	
1,820	Contingent Rents	**2,051**	
2,107	Lifecycle replacement costs	**1,842**	
2,787	Depreciation	**1,875**	
-2,691	PFI Credits	**-2,691**	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Assets		
18,868	Land and buildings	17,970	**-898**
3,878	Plant and equipment	2,902	**-976**
	Liabilities		
-	Overdraft	**-**	**-**
-494	Short term finance lease liability	-1,312	**-818**
-48,288	Long term finance lease liability	-46,976	**1,312**
	Reserves		
1,482	Revaluation Reserve	1,411	**-71**
-27,518	Capital Adjustment Account (Depreciation and Debt Provision)	-28,828	**-1,310**

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	11,775	1,076	1,312	7,311	21,474
Within 2 to 5 years	50,120	4,952	5,256	31,070	91,398
Within 6 to 10 years	70,029	12,252	4,789	40,636	127,706
Within 11 to 15 years	79,231	8,574	11,505	45,176	144,486
Within 16 to 20 years	89,643	2,947	25,426	45,457	163,473
Total	**300,798**	**29,801**	**48,288**	**169,650**	**548,537**

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

2014-15 £000		2015-16 £000
48,990	**Balance outstanding at start of year**	48,782
-208	Payments during the year	-494
48,782	**Balance outstanding at end of year**	48,288

Street Lighting PFI

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

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

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index.

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NOTES TO THE CORE FINANCIAL STATEMENTS

Upon conclusion of the 25 year contract the contract will terminate and there are no contractual clauses relating to the renewal of this agreement.

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

For 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	Comprehensive Income and Expenditure Statement	2015-16 £000	
2,505	Fair Value of Services Provided	**2,539**	
2,010	Interest payable on the finance lease liability	**2,924**	
1,932	Repayment of Capital	**1,659**	
6	Contingent Rents	**35**	
1,388	Depreciation	**1,892**	
-3,944	PFI Credits	**-3,944**	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Assets		
37,944	Infrastructure	**48,898**	**10,954**
	Liabilities		
-1,659	Short term finance lease liability	**-1,282**	**377**
-31,590	Long term finance lease liability	**-43,153**	**-11,563**
	Reserves		
4,695	Capital Adjustment Account (Depreciation and Debt Provision)	**4,463**	**-232**

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	2,394	-	1,282	3,997	**7,673**
Within 2 to 5 years	9,683	-	5,860	16,016	**31,559**
Within 6 to 10 years	14,186	3,052	7,629	16,567	**41,434**
Within 11 to 15 years	15,839	3,668	11,614	12,788	**43,909**
Within 16 to 20 years	16,814	2,675	19,218	8,003	**46,710**
Within 21 years	874	-	1,239	301	**2,414**
Total	**59,790**	**9,395**	**46,842**	**57,672**	**173,699**

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

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2014-15 £000		2015-16 £000
22,856	**Balance outstanding at start of year**	33,249
-1,932	Payments during the year	-1,659
12,325	Capital expenditure incurred in the year	12,845
33,249	**Balance outstanding at end of year**	44,435

Building Schools for the Future (BSF)

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

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

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

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

For 2015-16, the following figures have been recognised in the Council's financial statements:

2014-15 £000	Comprehensive Income and Expenditure Statement	2015-16 £000	
505	Repayment of Capital	559	
-584	Contribution from schools	-596	
-4,853	PFI credits	-4,853	
31-Mar-15 £000	**Balance Sheet**	**31-Mar-16 £000**	**Movement £000**
	Liabilities		
-559	Short term finance lease liability	-619	**-60**
-30,902	Long term finance lease liability	-30,283	**619**
	Reserves		
-31,461	Capital Adjustment Account	-30,902	**559**

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NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs and contingent rents £000	Total £000
Within 1 year	802	93	619	3,728	**5,242**
Within 2 to 5 years	3,412	805	2,753	14,595	**21,565**
Within 6 to 10 years	4,768	1,342	4,945	17,365	**28,420**
Within 11 to 15 years	5,394	1,520	8,009	15,323	**30,246**
Within 16 to 20 years	6,103	2,214	12,418	11,579	**32,314**
Within 21 years	1,314	484	2,159	1,173	**5,130**
Total	**21,793**	**6,458**	**30,902**	**63,763**	**122,916**

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

2014-15 £000		2015-16 £000
31,966	**Balance outstanding at start of year**	**31,461**
-505	Payments during the year	**-559**
31,461	**Balance outstanding at end of year**	**30,902**

36. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2015-16, incurring costs of £1.1m (£1.1m in 2014-15). See note 28 for the number of exit packages and total cost per band that has been paid during the year.

37. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council participates in two post-employment schemes:

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

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

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

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

Discretionary post-retirement benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

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

As previously stated, the Local Government Pension Scheme (LGPS) is administered by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS are shown in the Pension Fund Accounts on pages 112-157.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000	Local Government Pension Scheme	2015-16 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of Services	
	Service cost comprising:	
34,959	- current service cost	**43,619**
298	- past service costs	**255**
-2,932	- gain (-)/ loss from settlements	**-9,847**
	Financing and Investment Income and Expenditure:	
18,762	Net interest expense	**17,829**
51,087	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**51,856**
	Other post-employment benefits charged to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement:	
	Remeasurement of the net defined benefit liability comprising:	
-55,216	- Return on plan assets (excluding the amount included in the net interest expense)	**39,073**
-	- Actuarial gains (-)/ losses arising on changes in demographic assumptions	**-**
176,237	- Actuarial gains (-)/ losses arising on changes in financial assumptions	**-125,748**
-20,800	- Other	**-12,587**
151,308	**Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**-47,406**
	Movement in Reserves Statement:	
-21,248	- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**-19,445**
	Actual amount charged against the General Fund Balance for pensions in the year:	
-27,314	**Employers' contributions payable to scheme**	**-29,433**
37,108	**Retirement benefits payable to pensioners**	**37,024**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions assets and liabilities recognised in the Balance Sheet

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

2014-15 £000		2015-16 £000
-1,376,923	Present value of the defined benefit obligation	**-1,281,205**
817,668	Fair value of plan assets	**801,767**
-559,255	Net liability arising from defined benefit obligation	**-479,438**

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

2014-15 £000		2015-16 £000
730,902	**Opening fair value of scheme assets**	**817,668**
31,370	Interest income	**26,009**
	Remeasurement gain/ loss (-):	
55,216	- Return on plan assets (excluding the amount included in the net interest expense)	**-39,073**
-1,219	- Effect on settlements	**-7,025**
29,839	Contributions from employer	**32,411**
8,668	Contributions from employees into the scheme	**8,801**
-37,108	Benefits paid	**-37,024**
817,668	**Closing fair value of scheme assets**	**801,767**

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NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014-15 £000		2015-16 £000
1,168,688	**Opening balance at 1 April**	**1,376,923**
34,959	Current service cost	**43,619**
50,132	Interest cost	**43,838**
8,668	Contributions from scheme participants	**8,801**
	Remeasurement gains (-)/ losses:	
-	- Actuarial gains (-) arising on changes in demographic assumptions	**-**
176,237	- Actuarial losses arising on changes in financial assumptions	**-125,748**
-20,800	- Other	**-12,587**
298	Past service cost (including curtailments)	**255**
-37,108	Benefits paid	**-37,024**
-4,151	Liabilities extinguished on settlements	**-16,872**
1,376,923	**Closing balance at 31 March**	**1,281,205**

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprise:

2014-15 £000		2015-16 £000
24,502	**Cash and cash equivalents**	16,423
	Equity Instruments (by industry type):	
80,985	- Consumer	18,727
50,128	- Manufacturing	15,667
23,037	- Energy and Utilities	13,672
66,873	- Financial Institutions	29,680
39,810	- Health and Care	12,775
36,969	- Information Technology	6,436
-	- Other	-
297,802		96,957
57,971	**Private Equity**	62,333
	Investment Funds and Unit Trusts:	
251,889	- Equities	435,717
124,672	- Bonds	121,321
60,832	- Other	69,016
437,393		626,054
817,668	**Total Assets**	801,767

Basis for estimating assets and liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

2014-15 £000		2015-16 £000
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5	- Men	**22.5**
24.5	- Women	**24.5**
	Longevity at 65 for future pensioners:	
24.4	- Men	**24.4**
26.9	- Women	**26.9**
2.4%	Rate of inflation	**2.2%**
4.3%	Rate of increase in salaries	**4.2%**
2.4%	Rate of increase in pensions	**2.2%**
3.2%	Rate for discounting scheme liabilities	**3.5%**

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

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

	Impact on the Defined Benefit Obligation in the Scheme £000
1 year increase in member life expectancy	**38,436**
0.5% decrease in inflation/ discount rate	**132,370**
0.5% increase in salary rate	**33,918**
0.5% increase in pension increase rate	**96,774**

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NOTES TO THE CORE FINANCIAL STATEMENTS

PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' pension schemes costs

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

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

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015-16, the Council paid £12.7m to Teachers' Pensions in respect of teachers' retirement benefits (2014-15 £11.8m). There were no contributions remaining payable at the year-end:

2014-15 £000		2015-16 £000
11,840	Employer's contributions	12,745
7,924	Employee contributions	7,414
19,764	**Total paid to Department For Education**	**20,159**

These amounts reflect contributions at the following rates:

2014-15 %		2015-16 %
14.1	Employer contribution (1 April – 31 August)	**14.1**
14.1	Employer contribution (1 September- 31 March)	**16.5**
	Employee contributions (pensionable pay based on salary bandings):	
6.4	£0 - £14,999	**7.4**
7.2	£15,000 - £25,999	**7.4**
8.3	£26,000 - £31,999	**8.6**
9.5	£32,000 - £34,999	**8.6**
9.5	£35,000 - £39,999	**9.6**
9.9	£40,000 - £41,499	**9.6**
9.9	£41,500 - £44,999	**10.2**
11.0	£45,000 - £54,999	**10.2**
11.0	£55,000 - £74,999	**11.3**
11.6	£75,000 - £99,999	**11.7**
12.4	£100,000+	**11.7**

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

The Council is not liable to the scheme for any other entities obligations under the plan.

38. CONTINGENT LIABILITIES

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

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

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

Guided Busway

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

Accounting for Landfill Sites

Decommissioning/ restoration costs at landfill sites should be professionally assessed (and reviewed every 5 years). These anticipated costs should then be amortised over the assets lifetime up to the point of decommissioning, reflecting the cost of restoration up to the point the restoration is required. As a result, a suggested approach to mitigate the impact of these costs on the total comprehensive income and expenditure position is to create a specific provision.

The Council currently has 3 operational landfill sites leased out to a third party operator. The planning permissions for the completion of the filling of the landfill void and subsequent restoration works at these sites range from 2020 to 2026. At this time, it is not practicable to

NOTES TO THE CORE FINANCIAL STATEMENTS

estimate the costs involved in decommissioning and restoring these sites and as such, no provision has been included in the accounts for these potential liabilities.

It should be noted that the Council currently manages its closed landfill aftercare costs through its annual revenue budget. Any further remediation/ restoration work is carried out through one-off capital budget bids, which mitigates the need for any additional provision.

Property Searches

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the Property Search Companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

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

Overall Procedures for Managing Risk

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

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

Credit risk

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

Cambridgeshire County Council

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

The full Investment Strategy for 2015/16 was approved by Full Council in February 2015 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments of £10.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay; the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

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

Outstanding invoices due but not impaired can be analysed by age as follows:

31-Mar-15 £000		31-Mar-16 £000
37,515	Less than three months	**12,068**
1,283	Three to six months	**784**
1,015	Six months to one year	**1,089**
2,087	More than one year	**1,826**
41,900	**Total**	**15,767**

NOTES TO THE CORE FINANCIAL STATEMENTS

During the reporting year the Council held no collateral as security.

Liquidity risk

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

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

All sums owing (£10.1m) are due to be paid in less than one year.

Refinancing and Maturity risk

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

31-Mar-15 £000	Debt maturity (lower/upper limits as % of debt)	Approved limit %		31-Mar-16 £000
53,543	Less than 1 year	0 – 80	(13%)	45,500
15,000	1-2 years	0 – 50	(0%)	0
11,443	2-5 years	0 – 50	(5%)	17,182
88,550	5-10 years	0 – 50	(29%)	102,811
212,607	10 years and above	0 – 100	(54%)	192,607
381,143	**Total**			358,100

The maturity analysis above is based on the earliest date the loans can be repaid. For Lender Option Borrower Option (LOBO) loans this is considered to be the next options date.

Market risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

NOTES TO THE CORE FINANCIAL STATEMENTS

According to this assessment strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(824)
Impact on Surplus or Deficit on the Provision of Services	**(824)**
Decrease in fair value of fixed rate investment assets	0
Impact on other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(70,572)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk – The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds but does hold an equity stake in the newly formed Municipal Bonds Agency PLC. This investment is a policy investment, rather than treasury management investments and is not material. The investment is disclosed in the Council's Balance Sheet at cost, as a long term investment and annual impairment review are carried out to determine if cost is still appropriate.

Foreign exchange risk – The Council has not financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

40. HERITAGE ASSETS: Summary of Transactions since April 2010

The Council provides some details of known acquisitions since 2008 in note 12, which include items added to the Cromwell Museum at an overall valuation of £12,226. It is also known that there has been a 7% increase in the storage space required for the archives.

As the known values of acquired items are either small or prohibitively costly to obtain, the Council does not believe that providing a break-down of acquisitions by year, over any time period, would prove useful.

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

Cambridgeshire Archives and Local Studies

The archives collections held by Cambridgeshire Archives and Local Studies (CALS) include original historical documents relating to the area covered by the modern county of Cambridgeshire, and are made available to the public in 2 record offices: at Shire Hall and

NOTES TO THE CORE FINANCIAL STATEMENTS

Huntingdon Library and Archives. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

A catalogue of the collection is available publically through the internet and contains details of at least 250,000 items. There may be another 250,000 or so items still to catalogue. There are three active cataloguing projects which focus on Cambridge City, Manorial Documents and the "Fen Office" and Bedford Level.

Governance

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

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

Storage and preservation

The archival collections are held in secure, environmentally-monitored strong rooms. The strong rooms in the basement of Shire Hall, Cambridge, do not meet the current standard and we were informed by The National Archives that they expected the Council to find alternative storage. As such the Council has been working to secure new premises which have now been confirmed as the former Strikes Bowling Alley building in Ely. The move to Ely is likely to take place in 2017. The strong room at Huntingdon Library and Archives and the Cottenham out-store do meet the expected standard.

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

Status of acquisitions

Currently CALS holds about 570 cubic metres of archives. In addition about 290 cubic metres of local studies materials are held at the Cambridge Central Library.

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

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which CALS has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase. Reference is made to recent instances in note 12.

The Cromwell Museum

The Cromwell Museum contains over 600 objects including: arms and armour; books and documents; coins, medals and seals; costume; images; paintings; and prints. The majority of the collection is owned, and the Museum makes and receives loans from the descendants of Cromwell and other museums. Not all of the collection is on display, but all material in the collection is available for study and consultation on request.

The Curator is supported by an advisory committee. The Museum has recently undertaken a project to complete the digital recording of the collection which is now complete.

Archaeology and Monuments

The archaeology collection principally consists of around 10,000 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are transferred to the council's ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day.

Notable highlights of the collection include assemblages from the earliest origins of the county's cities and towns, including Cambridge, Ely and Huntingdon. We also store c.1500 human skeletons (all older than 100 years) from several important cemetery excavations, along with associated grave goods on many instances.

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

The majority of the archaeology collection has recently been relocated to Deepstore, Winsford, in Cheshire, as it is considered a more suitable and effective storage environment. Access is permitted to scholars and others for research purposes on request. Conservation, retention, preservation and use strategies of the archaeology collections are the responsibility of the Council's Historic Environment Team. This team also arranges safe storage of the collection, and maintains the publically accessible Cambridgeshire Historic Environment Record, which records 19,000 monuments, events and finds within the County.

The cost of preservation of archaeological assets held in store is £15,000 per annum.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture.

Art Collection

The art collection consists of 413 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website.

Historically the collection has grown through art works being bought or donated. In recent years the collection has grown through donations only, and is now static. The average insurance valuation per work is £363. Administration of the collection is undertaken by Council staff within Children's Services.

Civic regalia

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

PENSION FUND

PENSION FUND

The Cambridgeshire Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following secondary legislation:

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Cambridgeshire County Council, the district councils in Cambridgeshire, and a range of other scheduled and admitted bodies within the county area.

The Fund is overseen by the Cambridgeshire Pension Fund Committee, which is a committee of Cambridgeshire County Council.

Further details can be accessed on the Cambridgeshire Fund's website at the following link:

http://pensions.cambridgeshire.gov.uk/index.php/governance2/key-documents/

INTRODUCTION

1.1 The following comprises the Statement of Accounts for the Cambridgeshire County Council Pension Fund. The accounts cover the financial year from 1 April 2015 to 31 March 2016.

1.2 These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRS) as published by the Chartered Institute of Public Finance and Accountancy. The accounts have been prepared on an accruals basis. They do not take account of liabilities to pay pensions and other benefits in the future.

1.3 The accounts are set out in the following order:

Fund Account which discloses the size and nature of financial additions to and withdrawals from the Fund during the accounting period and reconciles the movements in the net assets to the Fund Account.

Net Assets Statement which discloses the size and disposition of the net assets of the Fund at the end of the accounting period.

Notes to the Accounts which gives supporting accounting policies, detail and analysis concerning the contents of the accounts, together with information on the establishment of the Fund, its membership and actuarial position.

Cambridgeshire County Council

PENSION FUND NET ASSET STATEMENT

31-Mar-15 £000		Notes	31-Mar-16 £000
	Dealings with members, employers and others directly involved in the fund:		
109,103	Contributions	7	118,843
2,866	Transfers in from other pension funds	8	8,735
111,969			127,578
(91,901)	Benefits	9	(92,374)
(36,845)	Payments to and on account of leavers	10	(5,315)
(128,746)			(97,689)
(16,777)			29,889
(9,898)	**Management Expenses**	11	(8,770)
	Returns on investments:		
35,712	Investment income	12	31,599
(1,176)	Taxes on income	13	(31)
218,316	Profit and losses on disposal of investments and changes in the market value of investments	15a	(60,114)
252,852	**Net returns on investments**		(28,546)
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		(7,427)

Cambridgeshire County Council

PENSION FUND NET ASSET STATEMENT

31-Mar-15 £000		Notes	31-Mar-16 £000
2,219,621	Investment assets		2,212,688
48,731	Cash deposits		31,929
2,268,352			2,244,617
(594)	Investment liabilities		(1,006)
2,267,758	Net investment assets	15	2,243,611
16,055	Current assets	21	43,765
1,896	Non-current assets	22	2,528
(1,991)	Current liabilities	23	(13,613)
15,960			32,680
2,283,718	**Net assets of the fund available to fund benefits at the period end**		**2,276,291**
2,057,541	**Opening net assets as at 1 April**		**2,283,718**
226,177	**Net increase/(decrease) in the net assets available for benefits during the year**		**(7,427)**
2,283,718	**Closing net assets as at 31 March**		**2,276,291**

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund.
The following description of the Fund is a summary only. For more detail, reference should be made to the Fund's Annual Report 2015-16 and the underlying statutory powers underpinning the scheme, namely the Public Services Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

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

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Cambridgeshire Pension Fund include:

- Scheduled bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

As at 31 March 2016 there are 243 (2015: 219) active employer organisations within the Cambridgeshire Pension Fund including the County Council itself, an increase of 24, as detailed below:

Cambridgeshire Fund	31-Mar-16	31-Mar-15
Number of employers with active members	243	219
Number of employees in scheme:		
County council	11,166	10,824
Other employers	15,578	14,521
Total	**26,744**	**25,345**
Number of Pensioners:		
County council	7,676	7,529
Other employers	8,493	8,129
Total	**16,169**	**15,658**
Deferred pensioners:		
County council	15,456	14,097
Other employers	15,433	14,158
Total	**30,889**	**28,255**
Total members	**73,802**	**69,258**

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016. Employers' contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2013. Employers' contributions comprise a percentage rate on active payroll between 11% and 25.1% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Benefits
Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

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

Career Average Revalued Earnings (CARE)

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based upon their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at John Dryden House, Northampton NN4 7YD or online at pensions.cambridgeshire.gov.uk.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015-16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015-16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The *Code of Practice on Local Authority Accounting in the United Kingdom 2016-17* has been issued and will be adopted for the 2016-17 financial year. The revised Code requires changes to the format of the Pension Fund Account and the Net Assets Statement. The changes are expected to have minimal impact on the presentation of the Pension Fund Account and the Net Assets Statement of the Cambridgeshire County Council Pension Fund.

NOTES TO THE PENSION FUND ACCOUNTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

Individual transfers in/out are accounted for on an accruals basis when the associated liability is accepted by the receiving scheme.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on an accruals basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

i) *Interest income*

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

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

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

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

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

v) Stock lending
Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty (“Borrower”), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – expense items

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

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

Administrative expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pension’s administration team are charged to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

Investment expenses
All investment management expenses are accounted for on an accruals basis.

NOTES TO THE PENSION FUND ACCOUNTS

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

In addition the Fund has negotiated with the following managers that an element of their fee be performance related:

- JO Hambro Capital Management – Global Equities
- Schroders Investment Management – Multi Asset
- Skagen Asset Management - Emerging Market

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2015-16, £0.7m of fees are based upon such estimates (2014-15: £ 0.6m).

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the Council's costs representing management time spent by officers on investment management are also charged to the Fund.

Net Assets Statement

Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

- **Market-quoted investments**
  The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

- **Fixed interest and index-linked securities**
  Fixed interest securities are recorded at net market value based on their current yields.

NOTES TO THE PENSION FUND ACCOUNTS

- **Unquoted investments**
  The fair value of investments for which market quotations are not readily available is determined as follows:
  - Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind up, less estimated realisation costs.
  - Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.
  - Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
  - Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the Fund Manager.
  - Investments in private equity funds and unquoted listed partnerships are valued based on the Fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective Fund Managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2012*.
  - The joint ownership of Cambridge and Counties Bank is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.

- **Limited partnerships**
  Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

- **Pooled investment vehicles**
  Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published, or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Foreign currency transactions

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

NOTES TO THE PENSION FUND ACCOUNTS

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

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits.

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

Financial liabilities
The Fund recognises financial liabilities at fair value as at the reporting date, except for loans and receivables. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Contingent liabilities
Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards [Code Para 6.5.2.8].

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

Additional voluntary contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed

NOTES TO THE PENSION FUND ACCOUNTS

Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 24).

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity and infrastructure investments are valued by the investment managers using the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equities at 31 March 2016 was £207.4m (£165.4m at 31 March 2015).

Pension fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with quarterly updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £191m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £49m, and a one-year increase in assumed life expectancy would increase the liability by approximately £41m.
Cambridge and Counties Bank	Cambridge and Counties Bank is not publicly listed and as such there is a degree of estimation involved in the valuation. For prudency, the Pension Fund's investment is valued on a market based approach with reference to price/earnings and price to book of comparable public companies.	The investment in the financial statements is £43.0m.There is a risk that this investment may be under, or overstated in the accounts.
Other private equity and infrastructure	All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £164.4m. There is a risk that this investment may be under or overstated in the accounts.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Subsequent to 31 March 2016, the UK public voted in a referendum on 23 June 2016 for the UK to leave the European Union. In the period before, and immediately after, the referendum financial markets have shown heightened volatility, which might be expected to continue in the coming months. It is unclear what the long-term effects may be, however the Fund's investment portfolio is sufficiently diversified that the overall impact is not expected to be significant. The Council does not consider that the Fund's going concern status is affected, and any impact on the Fund's funding position will be considered by the actuary in the preparation of the 2016 funding valuation which will be completed later in the 2016-17 financial year.

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NOTES TO THE PENSION FUND ACCOUNTS

7. CONTRIBUTIONS RECEIVABLE

By category

2014-15 Restated £000		2015-16 £000
87,393	Employers' contributions	91,847
21,710	Employees' contributions	26,996
109,103		118,843

The analysis of contributions by category for 2014-15 have been re-classified to properly reflect employers' and employees' contributions.

By authority

2014-15 £000		2015-16 £000
34,689	Administering Authority	40,093
65,771	Scheduled Bodies	70,476
8,643	Admitted Bodies	8,274
109,103		118,843

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2014-15 £000		2015-16 £000
-	Group transfers	5,773
2,866	Individual transfers	2,962
2,866		8,735

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

9. BENEFITS PAYABLE

By category

2014-15 £000		2015-16 £000
68,310	Pensions	67,885
21,942	Commutation and lump sum retirement benefits	23,065
1,649	Lump sum death benefits	1,424
91,901		92,374

By authority

2014-15 £000		2015-16 £000
37,220	Administering Authority	37,521
49,158	Scheduled Bodies	47,393
5,523	Admitted Bodies	7,460
91,901		92,374

The value of commutation and lump sum retirement benefits is dependent on volumes of retirements and the specific commutation decisions of retirees. The value is expected to reduce year on year, even if commutation trends remain constant, as the amount of post 31 March 2008 service (which provides no automatic lump sum) forms an ever increasing component of the service on which pension benefits are based. The increase in benefits payable to Admitted Bodies in 2015-16 is due to schools converting to academies.

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2014-15 £000		2015-16 £000
108	Refunds to members leaving service	221
-	Payments for members joining state scheme	-
32,745	Group transfers	-
3,992	Individual transfers	5,094
36,845		5,315

Individual transfers are dependent on individuals having an approved pension arrangement to transfer their LGPS benefits to after leaving the Cambridgeshire Fund and also the relative merits of that destination arrangement in comparison with the LGPS.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Refunds to members leaving service are extremely sensitive to fluctuations as a result of the small relative value.

Group transfers in 2014-15 represented a single transfer paid in February 2015 in connection with the transfer of the administration of pensions for the Probation Service to the Greater Manchester Pension Fund.

11. MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
2,292	Administrative costs	2,270
7,198	Investment management expenses (see note 14)	6,390
408	Oversight and governance costs	110
9,898		8,770

12. INVESTMENT INCOME

2014-15 £000		2015-16 £000
-	Index-linked securities	35
26,067	Equity dividends	15,681
2,638	Pooled investments – unit trusts and other managed funds	9,500
5,340	Pooled Property Investments	3,656
1,287	Private equity/infrastructure income	2,270
102	Interest on cash deposits	149
278	Other (includes stock lending, class action and underwriting)	308
35,712		31,599

13. TAXES ON INCOME

2014-15 £000		2015-16 £000
1,176	Withholding tax - equities	31
1,176		31

Taxes on income are lower in 2015-16 due to the transfer of assets from segregated managers to pooled arrangements during the first quarter of the year. Under pooled arrangements the manager of the pooled fund is accountable for any taxes and these are reflected in the valuation of the pooled fund.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

14. INVESTMENT MANAGEMENT EXPENSES

2014-15 £000		2015-16 £000
6,688	Management fees	5,971
510	Investment support costs	419
7,198		6,390

Performance related fees in 2015-16 were £2.7m (2014-15: £4.1m).

15. INVESTMENTS

2014-15 £000		2015-16 £000
	Investment assets	
-	Index-linked securities	61,316
843,577	Equities	266,984
1,044,265	Pooled investments	1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/infrastructure	207,353
	Derivatives	
386	• Futures	-
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
	Derivative contracts:	
(393)	• Futures	-
(157)	• Forward currency contracts	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(a). Reconciliation of movements in investments and derivatives

	Market value 1-Apr-15 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31-Mar-16 £000
Index-linked securities	-	59,954	-	1,362	61,316
Equities	843,577	574,854	(1,125,479)	(25,968)	266,984
Pooled investments	1,044,265	615,001	(86,712)	(85,414)	1,487,140
Pooled property investments	162,593	19,910	(4,054)	8,631	187,080
Private equity/infrastructure	165,436	28,120	(26,594)	40,391	207,353
	2,215,871	1,297,839	(1,242,839)	(60,998)	2,209,873
Derivative contracts:					
• Futures	(7)	2	(88)	93	-
• Forward Currency Contracts	(157)	2,592	(2,291)	(144)	-
	2,215,707	1,300,433	(1,245,218)	(61,049)	2,209,873
Other investment balances:	52,051			935	33,738
• Cash deposits	48,731				31,929
• Amount receivable for sales	88				235
• Investment income due	3,276				2,580
• Amounts payable for purchases of investments	(44)				(1,006)
Net investment assets	2,267,758			(60,114)	2,243,611

Transaction costs are included in the cost of purchases and in sale proceeds. They include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees.

Transaction costs incurred during the year totalled £973k (2014-15: £709k). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

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NOTES TO THE PENSION FUND ACCOUNTS

	Market value 1-Apr-14	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31-Mar-15
	£000	£000	£000	£000	£000
Equities	745,800	236,732	(221,233)	82,278	**843,577**
Pooled investments	955,205	25,227	(25,513)	89,346	**1,044,265**
Pooled property investments	146,164	9,916	(15,565)	22,078	**162,593**
Private equity/infrastructure	138,312	17,565	(20,003)	29,562	**165,436**
	1,985,481	289,440	(282,314)	223,264	**2,215,871**
Derivative contracts:					
• **Futures**	199	27	(4,276)	4,043	**(7)**
• **Forward Currency Contracts**	(107)	2,470	(2,522)	2	**(157)**
	1,985,573	291,937	(289,112)	227,309	**2,215,707**
Other investment balances:	**47,607**			(8,993)	**52,051**
• **Cash deposits**	47,259				**48,731**
• **Amount receivable for sales**	2,090				**88**
• **Investment income due**	3,462				**3,276**
• **Amounts payable for purchases of investments**	(5,204)				**(44)**
Net investment assets	**2,033,180**			218,316	**2,267,758**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(b). Analysis of Investments

31-Mar-15 £000		31-Mar-16 £000
	Index-linked securities	
	UK	
-	Public Sector quoted	61,316
-		61,316
	Equities	
	UK	
364,898	Quoted	259,287
	Overseas	
478,679	Quoted	7,697
843,577		266,984
	Pooled funds – additional analysis	
	UK	
122,420	Fixed income	60,920
567,016	Equity	544,320
	Overseas	
213,787	Fixed income	210,891
140,276	Equity	665,635
766	Cash Fund	5,374
1,044,265		1,487,140
162,593	Pooled property investments	187,080
165,436	Private equity/ infrastructure	207,353
386	Derivatives	-
328,415		394,433
48,731	Cash deposits	31,929
3,276	Investment income due	2,580
88	Amounts receivable for sales	235
52,095		34,744
2,268,352	**Total investment assets**	2,244,617
	Investment liabilities	
(550)	Derivatives	-
(44)	Amounts payable for purchases	(1,006)
(594)	**Total investment liabilities**	(1,006)
2,267,758	**Net investment assets**	2,243,611

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

15(c). Investments analysed by fund manager

Market value 31-Mar-15 £000	%		Market value 31-Mar-16 £000	%
895,098	39.5	Schroders Investment Management	775,346	34.6
535,387	23.6	State Street Global Asset Management	525,754	23.4
284,373	12.6	Newton Investment Management	-	-
241,325	10.7	Amundi Asset Management	-	-
-	-	Dodge & Cox Worldwide Investments	329,995	14.7
-	-	JO Hambro Capital Management	253,038	11.3
91,480	4.0	Skagen Funds	82,602	3.7
57,942	2.5	Adams Street Partners	64,751	2.9
51,829	2.3	M&G Investments	53,501	2.4
45,123	2.0	HarbourVest Partners (UK)	50,919	2.3
17,289	0.7	Cambridge and Counties Bank (direct holding)	43,000	1.9
18,420	0.8	Equitix	25,378	1.1
18,011	0.8	UBS Infrastructure	19,055	0.8
11,154	0.5	Partners Group (UK)	17,749	0.8
327	0.0	Cash with custodian	2,523	0.1
2,267,758	**100.0**		**2,243,611**	**100.0**

All the above companies are registered in the United Kingdom.

The table below lists investments that represent more than 5% of the net assets of the Scheme.

Security	Market value 31-Mar-15 £000	% of total fund %	Market value 31-Mar-16 £000	% of total fund %
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	14.5
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	14.0	318,655	14.0
JO Hambro Capital Management Global Select Fund Sterling Z shares	-	-	253,038	11.1
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	9.4	207,099	9.1
Schroders International Selection Fund – Strategic Bond	161,958	7.1	157,390	6.9

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

The table below lists individual investments that represent more than 5% of any class or type of investment shown in the reconciliation of movements in investment and derivatives reported in Note 15(a).

Security	Market value 31-Mar-15 £000	% of asset class %	Market value 31-Mar-16 £000	% of asset class %
Index-linked securities	**-**	**-**	**61,316**	**100.00**
1.25% Index-linked Treasury Gilt 2055	-	-	3,823	6.23
0.375% Index-linked Treasury Gilt 2062	-	-	3,370	5.50
1.125% Index-linked Treasury Gilt 2037	-	-	3,356	5.47
1.25% Index-linked Treasury Gilt 2027	-	-	3,241	5.29
1.875% Index-linked Treasury Gilt 2022	-	-	3,244	5.29
2.5% Index-linked Treasury Stock 2024	-	-	3,139	5.12
0.5% Index-linked Treasury Gilt 2050	-	-	3,135	5.11
0.125% Index-linked Treasury Gilt 2068	-	-	3,128	5.10
0.75% Index-linked Treasury Gilt 2047	-	-	3,125	5.10
0.625% Index-linked Treasury Gilt 2040	-	-	3,114	5.08
Equities	**843,577**	**100.00**	**266,984**	**100.00**
GlaxoSmithKline plc	-	-	17,700	6.63
BP plc	-	-	15,111	5.66
Royal Bank of Scotland Group plc	-	-	14,903	5.58
Aviva plc	-	-	13,940	5.22
Pooled investments	**1,044,265**	**100.00**	**1,487,140**	**100.00**
Dodge & Cox Worldwide Funds plc - Global Stock Fund (GBP Accumulating Class)	-	-	329,995	22.19
State Street Managed Pension Fund All World Equity Index Sub-Fund	320,365	30.68	318,655	21.43
JO Hambros Capital Management Global Select Fund Sterling Z shares	-	-	253,038	17.02
State Street Managed Pension Fund UK Equity Index Sub-Fund	215,022	20.59	207,099	13.93
Schroders International Selection Fund – Strategic Bond	161,958	15.51	157,390	10.58
Skagen Funds Skagen Kon-Tiki Fund	91,480	8.76	82,602	5.55
Pooled property investments	**162,593**	**100.00**	**187,080**	**100.00**
Blackrock UK Fund	22,366	13.76	23,218	12.41
Standard Life Pooled Pension Property Fund	18,769	11.54	19,950	10.66
Schroder Unit Trust UK Real Estate	18,503	11.38	20,670	11.05
Legal & General Property Fund Units	17,534	10.78	19,197	10.26
Hermes Property Unit Trust	16,246	9.99	18,261	9.76
Mayfair Capital Property Units	13,496	8.30	17,977	9.61
Schroder Real Estate Real Income Fund	8,448	5.20	13,974	7.47
AVIVA Investors Pensions Ltd Property A	10,657	6.55	10,065	5.38
Industrial Property Investment Fund	8,873	5.46	10,074	5.38
Private equity/infrastructure	**165,436**	**100.00**	**207,353**	**100.00**
Cambridge & Counties Bank	17,289	10.44	43,000	20.74
Equitix Fund II, LP	18,419	11.13	24,789	11.95
UBS International Infrastructure Fund	17,517	10.58	17,765	8.57
Partners Group Global Infrastructure 2012 LP	11,154	6.74	17,749	8.56

NOTES TO THE PENSION FUND ACCOUNTS

15(d). Stock Lending

The Fund Strategy Statement sets the parameters for the Fund's stock-lending programme. At 31 March 2016, the value of quoted equities on loan was £36.3m (31 March 2015: £58.4m) in exchange for which the Custodian held collateral at fair value of £38.9m (31 March 2015: £64.6m). Collateral consists of acceptable securities and government debt.

16. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

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

Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund's investment managers enter into forward foreign currency contracts to take advantage of current exchange rates.

Futures

There were no outstanding exchange traded futures contracts at 31 March 2016. Outstanding contracts at 31 March 2015 were as follows:

Type	Expires	31-Mar-15 Economic exposure £000	31-Mar-15 Market value £000
Assets			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	
Overseas Cash Futures	Less than 1 year	(18,077)	386
Total assets		**(18,077)**	**386**
Liabilities			
UK Equity	Less than 1 year	-	-
Overseas Equity	Less than 1 year	-	-
Overseas Cash Futures	Less than 1 year	(2)	(393)
Total Liabilities		**(2)**	**(393)**
Net Futures		**(18,079)**	**(7)**

NOTES TO THE PENSION FUND ACCOUNTS

Open forward currency contracts

Settlement	Currency bought	Base market value £000	Currency sold	Base market value £000	Asset value £000	Liability value £000
None	-	-	-	-	-	-
				Open forward currency contracts at 31 March 2016	-	-
				Net forward currency contracts at 31 March 2016		-
				Prior year comparative		
				Open forward currency contracts at 31 March 2015	-	(157)
				Net forward currency contracts at 31 March 2015		(157)

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

17. FINANCIAL INSTRUMENTS

17a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the year.

31-Mar-15 Designated as fair value through profit and loss £000	31-Mar-15 Loans and receivables £000	31-Mar-15 Financial liabilities at amortised cost £000		31-Mar-16 Designated as fair value through profit and loss £000	31-Mar-16 Loans and receivables £000	31-Mar-16 Financial liabilities at amortised cost £000
			Investment assets			
-	-	-	Index-linked securities	61,316	-	-
843,577	-	-	Equities	266,984	-	-
1,044,265	-	-	Pooled investments	1,487,140	-	-
162,593	-	-	Pooled property investments	187,080	-	-
165,436	-	-	Private equity/ infrastructure	207,353	-	-
386	-	-	Derivative contracts	-	-	-
-	48,731	-	Cash	-	31,929	-
3,364	-	-	Other investment balances	2,815	-	-
-	-	-	Receivables	-	-	-
2,219,621	**48,731**	**-**		**2,212,688**	**31,929**	**-**
			Investment liabilities			
-	-	(550)	Derivative contracts	-	-	-
-	-	(44)	Payables	-	-	(1,006)
-	**-**	**(594)**		**-**	**-**	**(1,006)**
			Other assets and liabilities			
-	4,033	-	Cash	-	28,243	-
-	11,927	-	Other loans and receivables	-	4,437	-
-	**15,960**	**-**		**-**	**32,680**	**-**
2,219,621	**64,691**	**(594)**		**2,212,688**	**64,609**	**(1,006)**

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

17b. Net Gains and Losses on Financial Instruments

31-Mar-15 £000		31-Mar-16 £000
	Financial assets:	
223,264	Fair value through profit and loss	(60,998)
(8,993)	Loans and receivables	1,097
	Financial liabilities:	
-	Fair Value through profit and loss	(51)
-	Loans and Receivables	(162)
4,045	Financial liabilities measured at amortised cost	-
218,316	**Total gains / (losses)**	(60,114)

17c. Valuation Of Financial Instruments Carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested.

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NOTES TO THE PENSION FUND ACCOUNTS

These valuations are prepared in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2012*, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,125,863	753,307	333,518	2,212,688
Loans and receivables	64,609	-	-	64,609
Total financial assets	**1,190,472**	**753,307**	**333,518**	**2,277,297**
Financial liabilities				
Financial liabilities at amortised cost	(1,006)	-	-	(1,006)
Total financial liabilities	**(1,006)**	**-**	**-**	**(1,006)**
Net financial assets	**1,189,466**	**753,307**	**333,518**	**2,276,291**

Values at 31 March 2015	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,140,664	761,572	317,385	2,219,621
Loans and receivables	63,192	1,499	-	64,691
Total financial assets	**1,203,856**	**763,071**	**317,385**	**2,284,312**
Financial liabilities				
Financial liabilities at amortised cost	(594)	-	-	(594)
Total financial liabilities	**(594)**	**-**	**-**	**(594)**
Net financial assets	**1,203,262**	**763,071**	**317,385**	**2,283,718**

NOTES TO THE PENSION FUND ACCOUNTS

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2015-16 reporting period.

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	11.00
Overseas equities	13.30
Global pooled equities	10.80
Index-linked bonds	9.47
Pooled fixed interest bonds	1.37
Property	1.84
Alternatives	4.01
Cash and Other investment balances	0.01

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

NOTES TO THE PENSION FUND ACCOUNTS

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31-Mar-16 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
UK equities	803,607	11.00	892,044	715,210
Overseas equities	7,697	13.30	8,721	6,673
Global pooled equities	665,635	10.80	737,524	593,746
Index-linked bonds	61,316	9.47	67,123	55,509
Pooled fixed interest bonds	271,811	1.37	275,535	268,087
Property	187,080	1.84	190,522	183,638
Alternatives	207,353	4.01	215,668	199,038
Cash and Other investment balances	39,112	0.01	39,116	39,108
Total Assets	**2,243,611**			
Variation on total assets[1]	**2,243,611**	**7.29**	**2,407,170**	**2,080,052**

[1]The percentage change for Total Assets includes the impact of correlation across asset classes.

Asset Type	Value as at 31- Mar-15 £000	Percentage Change (% rounded)	Value on Increase £000	Value on Decrease £000
Equities	1,550,869	9.70	1,701,303	1,400,435
Pooled Bonds	336,207	1.10	339,905	332,509
Property	162,593	2.80	167,146	158,040
Alternatives	165,436	3.80	171,723	159,149
Cash	49,497	0.00	49,497	49,497
Other investment balances	3,156	0.00	3,156	3,156
Total Assets	**2,267,758**			
Variation on total assets	**2,267,758**	**6.60**	**2,417,430**	**2,118,086**

Note: An expanded analysis by asset type has been presented for 2015-16 but the comparative data for 2014-15 is not available for 31 March 2015 and therefore has not been re-presented.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. An 80 basis point (BPS) (i.e. 0.80%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment consultant has advised that long-term average rates are expected to move less than 80 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1.0%) change in interest rates:

31-Mar-15 £000	Asset Type	31-Mar-16 £000
48,731	Cash and cash equivalents	31,929
4,033	Cash balances	28,243
-	Index-linked securities	61,316
336,207	Fixed interest securities	271,811
388,971	Total	393,299

Assets exposed to interest rate risk	Value at 31-Mar-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	31,929	-	31,929	31,929
Cash balances	28,243	-	28,243	28,243
Index-linked securities	61,316	613	60,703	61,919
Fixed interest securities	271,811	2,718	269,093	274,529
Total change in assets available	393,299		389,968	396,630

NOTES TO THE PENSION FUND ACCOUNTS

Assets exposed to interest rate risk	Value at 31-Mar-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash and cash equivalents	48,731	-	48,731	48,731
Cash balances	4,033	-	4,033	4,033
Fixed interest securities	336,207	3,362	332,845	339,569
Total change in assets available	**388,971**	**3,362**	**385,609**	**392,333**

Income exposed to interest rate risk	Amount receivable in 2015-16 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	149	1	150	148
Index-linked securities	35	-	35	35
Fixed interest securities	6,325	-	6,325	6,325
Total	**6,509**		**6,510**	**6,508**

Income exposed to interest rate risk	Amount receivable in 2014-15 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits, cash and cash equivalents	102	1	103	101
Fixed interest securities	1,165	-	1,165	1,165
Total	**1,267**	**1**	**1,268**	**1,266**

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional

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NOTES TO THE PENSION FUND ACCOUNTS

currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.
The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.0% (as measured by one standard deviation).

A 6.0% (31 March 2015: 5.4%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-16 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	673,332	40,467	713,799	632,865
Overseas Fixed Income	210,891	12,675	223,566	198,216
Overseas Cash Fund	5,374	323	5,697	5,051
Total	**889,597**	**53,465**	**943,062**	**836,132**

Assets exposed to currency risk	Value at 31-Mar-15 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	618,954	33,424	652,378	585,530
Overseas Fixed Income	213,787	11,544	225,331	202,243
Overseas Cash Fund	766	41	807	725
Total	**833,507**	**45,009**	**878,516**	**788,498**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of

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NOTES TO THE PENSION FUND ACCOUNTS

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

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2016 was £60.2m (31 March 2015: £52.8m). This was held with the following institution:-

	Rating	31-Mar-16 £000	31-Mar-15 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	Aaa-mf	29,934	37,645
UK Treasury Bills		-	1,500
Bank deposit account			
Barclays Bank	A	28,243	4,033
Futures variation margins (TBC)		-	5,193
Bank current accounts		1,995	4,393
Northern Trust custody accounts	P-1		
Total		**60,172**	**52,764**

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching

NOTES TO THE PENSION FUND ACCOUNTS

mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2016 the value of illiquid assets was £394.4m, which represented 17.6% of the total Fund assets (31 March 2015: £328.0m, which represented 14.5% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2016 are due within one year.

d) Refinancing risk

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

19. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a maximum period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

NOTES TO THE PENSION FUND ACCOUNTS

Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. Where an employer's funding level is less than 100%, a deficit recovery plan is put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the Fund was assessed as 72.4% funded (72.9% at the March 2010 valuation). This corresponded to a deficit of £728m (2010 valuation: £555m) at that time. The common contribution rate (i.e. the rate which all employers in the Fund pay) is:

Year	Employers' contribution rate
2013/14	26.1%
2014/15	30.5%
2015/16	30.5%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

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

Financial assumptions

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

		31-Mar-13		31-Mar-10	
Assumption	**Description**	**Nominal**	**Real**	**Nominal**	**Real**
Price Inflation (CPI)/ Pension increases		2.5%	-	3.3%	-
Pay increases	CPI plus 1.8% p.a.*	4.3%	1.8%	5.3%**	2.0%
Funding basis discount rate	"Gilt-based" discount rate plus an Asset Outperformance Assumption of 1.6% p.a.	4.6%	2.1%	6.1%	2.8%

*Plus an allowance for promotional pay increases.
**1% p.a. for 2010/11 and 2011/12, reverting to 5.3% thereafter.

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NOTES TO THE PENSION FUND ACCOUNTS

Mortality assumptions

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

Assumed life expectancy at age 65	Active and Deferred Members		Current Pensioners	
	Male	Female	Male	Female
2010 valuation – baseline	21.2	23.8	21.2	23.8
2010 valuation – improvements	23.5	25.9	22.4	25.0
2013 valuation – baseline	20.1	22.8	20.3	22.4
2013 valuation – improvements	24.4	26.9	22.5	24.5

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

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

Other demographic valuation assumptions:

a) Retirements in ill health

Allowance has been made for ill-health retirements before Normal Pension Age.

b) Withdrawals

Allowance has been made for withdrawals from service.

c) Family details

A varying proportion of members are assumed to be married (or have an adult dependant) at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Husbands are assumed to be 3 years older than wives.

d) Commutation

Future pensioners are assumed to elect to exchange pension for additional tax-free cash up to 25% of HMRC limits for service to 31 March 2008 and 63% of HMRC limits for service from 1 April 2008.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

NOTES TO THE PENSION FUND ACCOUNTS

31-Mar-15 £bn		31-Mar-16 £bn
(3.791)	Present value of promised retirement benefits	(3.555)
2.284	Fair value of scheme assets (bid value)	2.277
(1.507)	**Net liability**	**(1.278)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation (see note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used

	31-Mar-16 % p.a.	31-Mar-15 % p.a.
Inflation/pension increase rate assumption	2.2	2.4
Salary increase rate	4.2	4.3
Discount rate	3.5	3.2

21. CURRENT ASSETS

31-Mar-15 £000		31-Mar-16 £000
	Debtors:	
1,601	Contributions due – members	2,048
4,295	Contributions due – employers	6,544
260	Transfer values receivable (joiners)	127
5,866	Sundry receivables	6,803
4,033	Cash balances	28,243
16,055		43,765

NOTES TO THE PENSION FUND ACCOUNTS

22. NON CURRENT ASSETS

With effect from 1 April 2005, 71 employees of the Cambridgeshire Magistrates' Courts transferred out of the Cambridgeshire Fund as part of a national transfer of the Magistrates' Courts out of Local Government schemes. However, the Cambridgeshire Fund has retained the liability for the Magistrates' pensioners and deferred pensioners. An assessment of the transfer by the Scheme's actuary, which was agreed by the Government Actuary's Department in March 2011, has resulted in an annual amount of £0.632m to be paid by the Ministry of Justice (former Department for Constitutional Affairs) to the Fund as the valuation of the transfer out was less than the retained liability. Annual payments commenced in April 2011 for ten years. At 31 March 2016, a total of £3,160,000 was still due from the Ministry of Justice, with £632,000 being shown in Current Assets and £2,528,000 being due after 31 March 2017 being shown in Non Current Assets.

23. CURRENT LIABILITIES

31-Mar-15 £000		31-Mar-16 £000
1,080	Sundry payables	13,153
450	Transfer values payable (leavers)	94
461	Benefits payable	366
1,991		13,613

24. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market value 31-Mar-15 £000		Market value 31-Mar-16 £000
539	Equitable Life	463
7,394	Prudential	7,182
7,933		7,645

Contributions paid directly to Equitable Life during the year were negligible (2014-15: £5k) and total contributions of £940k were paid directly to Prudential during the year (2014-15: £1,109k). The value of both the Equitable Life and Prudential funds decreased during the year due to the payment of retirement benefits exceeding receipts from contributions and investment income.

25. AGENCY SERVICES

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

NOTES TO THE PENSION FUND ACCOUNTS

2014-15 £000		2015-16 £000
237	Unfunded pensions	81
237		81

26. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund.

The Council incurred costs of £2.2m (2014-15: £2.4m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.
The Council is also the single largest employer of members of the Pension Fund and contributed £28.2m to the Fund in 2015-16 (2014-15: £27.3m). At 31 March 2016 there was £2.8m (31 March 2015: £4.7m) due to the Fund by the Council.

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). The Council's Section 151 Officer is Non-executive Director on the Board of CCB for which CCB pays £35,000 p.a. to the Council.

Governance

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

- Councillor Michael Shellens
- Matthew Pink
- John Walker

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

NOTES TO THE PENSION FUND ACCOUNTS

Key management personnel
Paragraph 3.9.4.3 of the Code exempts Local Authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Cambridgeshire County Council Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Cambridgeshire County Council.

27. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2016 totalled £93.9m (31 March 2015: £119.5m).

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

28. CONTINGENT ASSETS

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

29. IMPAIRMENT LOSSES

Impairment for bad and doubtful debts
During 2015-16 the Fund did not suffer any impairment loss (2014-15: Nil) for overpayment of pensions unable to be recovered due to reasons of estoppel.

NOTES TO THE PENSION FUND ACCOUNTS

30. ORGANISATIONS PARTICIPATING IN THE PENSION FUND AT 31 MARCH 2016

Scheduled Bodies

Abbey College
Abbey Meadows Academy
Active Learning Trust HQ
Alderman Jacobs School
All Saints Inter Church VA Primary School
Arthur Mellows Village College
Bar Hill Parish Council
Bassingbourn Village College
Bishop Creighton Academy
Bottisham Village Academy
Bourn C of E Primary School
Buckden C of E Primary School
Burrowmoor Primary School
Cambourne Village College
Cambridge City Council
Cambridge Meridian Academy
Cambridge Regional College
Cambridgeshire Chief Constable
Cambridgeshire Fire Authority
Cambridgeshire Police & Crime Commissioners
Cambridgeshire Police Authority
Centre 33
Chesterton Community College Academy
Chesterton Primary Academy
City College Peterborough
City Of Cambridge
City of Peterborough Academy
City of Peterborough Special School
Comberton Academy Trust
Comberton Village College
Cottenham Village College
Cromwell Academy
Cromwell Community College
Cromwell Primary Academy
Crosshall Infants Academy
Crosshall Juniors Academy
Dogsthorpe Academy
East Cambs District
Elm Road Primary School
Ernulf Academy
Eyrescroft Primary School
Fenland District Council
Fulbridge Academy
Gamlingay
Hampton College Academy
Hatton Park
Health Authority
Highlees Primary Academy
Hills Road 6th Form College
Hinchingbrooke School Academy
Histon & Impington Infant School
Histon & Impington Junior School
Huntingdon District Council
Huntingdonshire College
Impington Village College
Isle of Ely Academy
Kennett Primary School
Kimbolton Primary Academy
Kings School Academy
Kingsfield Primary Academy
Leverington Primary Academy
LGSS Law Ltd
Linton Village College Academy
Long Road 6th Form College
Longsands College Academy
Lunchtime UK (Waterbeach)
Magistrates Court Committee
Matley Primary Academy
Melbourn Village College Academy
Mepal & Witcham C of E Primary Academy
Middlefield Primary School
Millfield Primary School Academy
Neale Wade Academy
Nene Infants Academy
Nene Park Academy
New Road Primary Academy
Newark Hill Primary Academy
North Cambridge Academy
North Peterborough PCT
Ormiston Bushfield Academy
Ormiston Meadows Academy
Parkside Federation Academy
Peckover Primary School

Cambridgeshire County Council

NOTES TO THE PENSION FUND ACCOUNTS

Peterborough City Council
Peterborough College of Adult Education
Peterborough Regional College
Ramnoth Junior Academy
Sawston Village College Academy
Sawtry Community College Academy
Shade Primary School
Sir Harry Smith Community College
Soham Village College
Somersham Parish Council
Somersham Primary School
South Cambs District
Sport & Leisure Management Ltd
Spring Common Primary School Academy
St Andrews C of E Primary Academy
St Bedes School
St Helen's School
St Ivo School Academy
St John's Academy (Stanground)
St Marys C of E Junior
St Marys Primary Academy(St Neots)
St Peters C of E Junior Academy
St Peters School Academy
Stanground Academy
Stanground St John
Staploe Education Trust HQ
Swavesey Parish Council
Swavesey Village College Academy
The Centre School Academy
The Voyager Academy
Thomas Clarkson Community College Academy
Thomas Deacon Academy
University Technical College Academy
VISIT Cambridge and Beyond
Welland Primary Academy
West Town Primary Academy
William de Yaxley C of E Junior Academy
William Law Primary Academy
Winhills Primary School
Witchford Village College

Designated Bodies

Bretton Parish Council
Burnt Fen Internal Drainage Board
Burwell Parish Council
Cambourne Parish Council
Chatteris Town Council
Cheveley Parish Council
City Of Ely Council
Eye Parish Council
Farcet Parish Council
Feldale Internal Drainage Board
Gamlingay Parish Council
Haddenham Level Drainage Commissioners
Haddenham Parish Council
Histon & Impington Parish Council
Holmewood and District Internal Drainage Board
Huntingdon Town Council
Kimbolton & Stonely Parish Council
Linton Parish Council
Little Downham Parish Council
Little Paxton Parish Council
Littleport & Downham IDB
Middle Fen & Mere Internal Drainage Board
Middle Level Commissioners
Newborough Parish Council
North Level Commissioners
Old West Internal Drainage Board
Orton Waterville Parish Council
Sawston Parish Council
Sawtry Parish Council
Soham Parish Council
St Ives Town Council
St Neots Town Council
Sutton Parish Council
Swaffham Internal Drainage Board
Thorney Parish Council
Tydd St Giles P C
Waterbeach Level Internal Drainage Board
Waterbeach Parish Council
Whittlesey & District Internal Drainage Board
Whittlesey Town Council
Wimblington Parish Council
Wisbech Town Council
Witcham Parish Council
Yaxley Parish Council

Admission Bodies

Action for Children
Action for Children (London Road)
ADEC
Advance Cleaning Services
Alliance in Partnership Ltd
Apollo Property Services Group Limited
Aspens (Hemingford Grey)
Aspens (Huntingdon Primary)
Aspens Services Ltd (CPF)
Aspens Services Ltd (Fen Drayton)
Aspens Services Ltd (Swavesey)
Avocet Cleaning Services Ltd
Balfour Beatty
Cambridge & Peterborough NHS Foundation Trust
Cambridge LIVE
Cambridgeshire & Peterborough
Clinical Commissioning Group

NOTES TO THE PENSION FUND ACCOUNTS

- Cambridgeshire and Peterborough Mental Health Trust
- Cambridgeshire Careers Guidance Ltd
- Cambridgeshire Community Services Trust
- Carers Trust
- Cater Link Ltd
- Churchill Contract Services
- Circle Anglia Limited
- Compass Contract Services
- Conservators of the River Cam
- Coram Cambridge Adoption Ltd
- Cross Keys Housing Association
- Dell (Cromwell)
- Dell (Sir Harry Smith)
- Dell Corporation Ltd
- Drinksense
- E&Ess&Herts Prov Cls
- Easy Clean (Fordham)
- Easy Clean Contractors Ltd
- EasyClean (Kings Hedges)
- EasyClean (St Peter's)
- ECOVERT
- Elior UK
- Enterprise Management Services Limited
- Etheldred House
- Everyone Active
- Friends Therapeutic Community
- Great Staughton Primary School
- Home Close
- Homerton College Cambridge
- Inclusion
- Indigo Spa Management
- Innovate Services Ltd
- Kelsey Kerridge Sports Centre
- Luminus Group
- Lunchtime UK (Thorndown)
- Lunchtime UK Ltd
- Mears Ltd
- Mears Ltd (SCDC)
- MITIE Facilities Management
- Museum Doc Association
- Oxford Archaeology
- Pabulum Catering Ltd
- Peterborough Council for Voluntary Service
- Peterborough Womens Aid
- Radis Community Care
- Roddons Housing Association
- Sanctuary Housing
- Serco
- Serco Limited
- Skanska PCC (Highways)
- South Cambridgshire Primary Care Trust
- Spurgeons
- St Columba Centre
- Stephen Perse Foundation
- Taylor Shaw Ltd
- Thorokleen Trading Limited
- TSG Building Services
- Vivacity
- Wisbech & Fenlnd Museum
- Wisbech Grammar

GLOSSARY

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

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

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

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

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

ALL SHARE INDEX
Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

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

AT BEST
An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

AUTHORISED UNIT TRUSTS
A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

AVAILABLE FOR SALE FINANCIAL ASSETS
Assets that have a quoted market price and/or do not have fixed or determinable payments.

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

GLOSSARY

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

BARGAIN
Another name for a trade or transaction of the Stock Exchange.

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

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

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

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

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

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

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

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

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

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

GLOSSARY

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

CASH EQUIVALENTS
Assets which are readily convertible into cash.

CLEAN PRICE
The price of a bond which is quoted without accrued interest.

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

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

CONTRACT NOTE
The documentary record of a trade which is sent from the broker to the investor

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

CORPORATE AND DEMOCRATIC CORE
Income and expenditure relating to the corporate management and democratic processes of the Council.

COUPON
The regular payment made on bonds.

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

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

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

GLOSSARY

DEBENTURE
Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

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

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

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

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

DISTRIBUTION DATES
The date when interest or dividends are distributed to investors. Also called Payment Date.

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

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

EARNINGS PER SHARE (EPS]
The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

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

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

GLOSSARY

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

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

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

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

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

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

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

GEARING
The amount of borrowing versus debt on a company’s Balance Sheet (Net debt/Ordinary shareholders’ funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the underlying asset can be magnified in the move in the price of the option.

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

GILT
Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

GLOSSARY

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

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

HEDGE FUND
A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

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

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

IMRO
Investment Management Regulatory Organisation. Fund Manager Regulator.

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

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

INTEREST YIELD
The annual coupon on a bond divided by the clean price.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

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

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

GLOSSARY

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

INVENTORIES
Goods bought but have not been used.

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

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

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

MARKET CAPITALISATION
For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

MEDIUMS
Medium-dated Gilts with time to maturity of 5-15 years.

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

NET BOOK VALUE
The depreciated value of an asset.

NOMINEE
A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

NON-DISTRIBUTED COSTS
Costs that cannot be specifically applied to a service and are held centrally.

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

ORDINARY SHARES
‘A’ Shares which confer full voting and dividend rights to the Owner.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Cambridgeshire County Council

GLOSSARY

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

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

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

REVENUE EXPENDITURE
The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

REVENUE SUPPORT GRANT (RSG)
The general grant paid by Central Government to aid Local Authority spending generally.

RIGHTS ISSUE
A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

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

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

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

GLOSSARY

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

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

TRUST FUNDS
Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

UNDERWRITER
A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

UNIT TRUST
An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

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

ANNUAL GOVERNANCE STATEMENT

Cambridgeshire County Council

SCOPE OF RESPONSIBILITY

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

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

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

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

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

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

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

- The measurement of performance in achieving objectives, through the mechanisms of the Council's performance management system;

- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication;

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

- The Constitution, Schemes of Delegation to members and officers, Financial Procedure Rules and other supporting procedures which set out how decisions are taken and the processes and controls required to manage risk; and having arrangements in place to ensure these are reviewed regularly;

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

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

- Embedded arrangements for Whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

- A Listening and Involving Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them.

- The Council's Committee system of corporate governance, introduced in May 2014. The Council meets CIPFA/Solace guidance recommending effective scrutiny of decisions made by Council; under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary. The Committee system in place continues to evolve, and from May 2016, the Council has established a new Assets and Investments Committee.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control. The review of effectiveness is informed by assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment; the Head of Internal Audit and Risk Management's annual report; and also by comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Corporate Leadership Team, as appropriate. The Governance Framework links closely to the Assurance Framework, which brings together the work of both internal review mechanisms and external review agencies, and is reviewed bi-annually by the Audit and Accounts Committee.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.

- The annual report and opinion on the Internal Control environment prepared by the Head of Internal Audit. This report draws upon the outcome of audit reviews undertaken throughout 2015/16 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.

- The completion of Self-Assurance Statements by directors.

- The consideration of relevant outputs from member- and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

The key aspects of the review of effectiveness are:

Council Planning

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

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

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The budget preparation process was subject to robust challenge by councillors and involved extensive consultation with the people and businesses of Cambridgeshire.

Performance Management

The Council presents a corporate Integrated Resources and Performance Report to councillors on a monthly basis, which is available to the public on the Council's internet site, giving them an insight into the Council's overall performance.

Executive Decision Making and Scrutiny

Executive decisions are made by one of the Council's cross-party committees. A process is in place to allow for executive decisions to be reviewed following request by at least 8 members, which must be made within 3 days of a decision being published.

The Audit and Accounts Committee

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

The Audit and Accounts Committee met regularly during 2015/16, considering reports, including the annual Internal Audit Report, from the Head of Internal Audit, the Council's Senior Finance Officers and the External Auditor. The Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. Additionally, in 2015/16 the Committee was requested by Full Council to undertake a review of the process by which proposals relating to the Cambridge Library Enterprise Centre emerged and were developed. This review was undertaken with Internal Audit and reported back to Full Council.

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

Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, S151 Officer, and the Executive Director of Children, Families and Adult Services were effectively fulfilled during 2015-16 and up to the date of this report.

Management

Executive Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;

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- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors have provided assurance on the key elements of risk and control in their areas of responsibility.

Internal Audit

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

The Head of Internal Audit provided his annual report to the Audit Committee on 7th June 2016. This report will outline the key findings of the audit work undertaken during 2015/16.

The Internal Audit assurance scoring mechanism was reviewed and updated during 2015/16 to reflect the effectiveness of the Council's internal control environment.

At the conclusion of each audit, internal audit assigns three opinions. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the reviews undertaken during 2015/16, only one area was identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This related to the Internal Audit review of Home to School Transport. An action plan to address the identified weaknesses in the control environment was agreed by the service, and a full update on the implementation of these actions to date was brought to the Audit & Accounts Committee meeting in June 2016.

It is the opinion of the Head of Internal Audit that, on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The level of assurance therefore remains at a similar level from 2014/15. The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee in June 2016.

Review of Internal Audit

ANNUAL GOVERNANCE STATEMENT

The Public Sector Internal Audit Standard was introduced from April 2013. A self-assessment of Internal Audit's compliance with this new Standard was presented to the Audit and Accounts Committee in June 2015. The next review was reported to the Audit and Accounts Committee in June 2016.

External Audit

PwC was the Council's appointed External Auditor for the 14/15 Accounts. As well as an examination of the Council's financial statements, the work of the Council's External Auditor included an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter it issued an unqualified conclusion on the ability of the Council to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Risk Management

The Council managed its risks during 2015/16 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Strategic Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly Risk Management Reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2016/17 presented to the Audit and Accounts Committee in March 2016 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2016/17.

SIGNIFICANT GOVERNANCE ISSUES

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

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2015/16 Annual Governance Statement.

Cambridgeshire does continue to face very significant future challenges associated with a significant reduction in Central Government funding. The Council's 5 year Business Plan is reflective of these pressures, and will be subject to annual review to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met whilst continuing to provide effective services to the people of Cambridgeshire. In 2015/16, significant work has been undertaken to improve and develop the Business Planning process going forward, including the introduction of a separate savings tracking process and the development of business cases for all proposals included in the Plan; these actions should ensure that the Council has clear plans in place to address the financial challenge and that effective monitoring processes identify any issues at an early stage. Further review of the Business Planning process is planned for 2016/17.

ANNUAL GOVERNANCE STATEMENT

It is recognized that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across services. Over the past year, a review of corporate capacity and a transformation programme have therefore been launched at Cambridgeshire, to drive savings and efficiencies and to improve collaborative working throughout the Council. This work includes reviews of key areas including asset utilization, partnership and stakeholder engagement, and business intelligence.

There has also been an increased awareness of the importance of sound project management and procurement practice during the course of the year. Following an Internal Audit review, an action plan has been put in place to address the key risks identified, and progress with actions has been monitored at every Audit and Accounts Committee meeting. These areas are also under review as part of the Corporate Transformation Programme; the Procurement, Contracts & Purchasing workstream is led by the Chief Finance Officer and is aimed at improving and integrating procurement and commissioning across the Council as a whole. The Corporate Capacity Review includes a review of project management processes and guidance as well as the Council's Gateway Review process, to ensure that the Council has the best structures and processes in place to manage its projects effectively. It has been identified that the Council would benefit from a refreshed framework for partnerships, and this is also being taken forward in 2016/17 as part of the transformation programme.

In 2015/16 the primary focus of the transformation work at Cambridgeshire has been on planning and engagement with staff, with the Council moving into the full implementation phase in 2016/17.

ANNUAL GOVERNANCE STATEMENT

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

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

Councillor Steve Count
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee

June 2016

Agenda Item No. 11

INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST JULY 2016

To:	**Audit & Accounts Committee**		
Date:	**20th September 2016**		
From:	**Chief Finance Officer**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**
Purpose:	**To present financial and performance information to assess progress in delivering the Council's Business Plan.**		
Recommendations:	**The committee is asked to:** **Note the recommendation to General Purposes Committee on 20th September to:** **a) Analyse resources and performance information and note any remedial action currently being taken and consider if any further remedial action is required.**		

	Officer contact:		Member contact:
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1. PURPOSE

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

2. OVERVIEW

2.1 The following table provides a snapshot of the Authority's forecast performance at year-end by value, RAG (Red, Amber, Green) status and direction of travel (DoT).

Area	**Measure**	**Forecast Year End Position (June)**	**Forecast Year End Position (July)**	**Current Status**	**DoT** (up is improving)
Revenue Budget	Variance (£m)	+£1.8m	+£0.5m	Amber	↑
Basket Key Performance Indicators	Number at target (%)	44% (7 of 16) [1]	38% (6 of 16) [1]	Amber	↓
Capital Programme	Variance (£m)	+£0.03m	+£0.2m	Green	↓
Balance Sheet Health	Net borrowing activity (£m)	£432m	£415m	Green	↔

[1] The number of performance indicators on target reflects the current position.

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year-end overspend of £0.5m, which is a decrease of £1.3m on the position reported last month. The change in position is largely due to a net reduction in Corporate Services (CS) and Children, Families and Adults (CFA) overspends and an underspend emerging in CS Financing. See section 3 for details.

- Key Performance Indicators; the corporate performance indicator set has been refreshed for 2016/17. There are 18 indicators in the Council's new basket, with data currently being available for 16 of these. Of these 16 indicators, 6 are on target. However, 7 indicators are currently rated amber, with 5 of these being within 5% of their target values. See section 5 for details.

- The Capital Programme is showing a forecast year-end overspend of £0.2m (0.2%); this is within Assets & Investments (A&I). Although CFA and Economy Transport and Environment (ETE) are reporting £3.7m and £2.8m (respectively) in-year slippage on their capital programmes, this is within their allocated budgets for capital programme variations, giving them a balanced outturn overall. See section 6 for details.

- Balance Sheet Health; The original forecast net borrowing position for 31st March 2017, as set out in the Treasury Management Strategy Statement (TMSS) is £479m. This projection has now fallen to £415m, which is £17m lower than reported last month. This decrease is due to the forecast for prudential borrowing in 2016/17 falling from £87m to £70m. See section 7 for details.

3. REVENUE BUDGET

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

<u>Key to abbreviations</u>

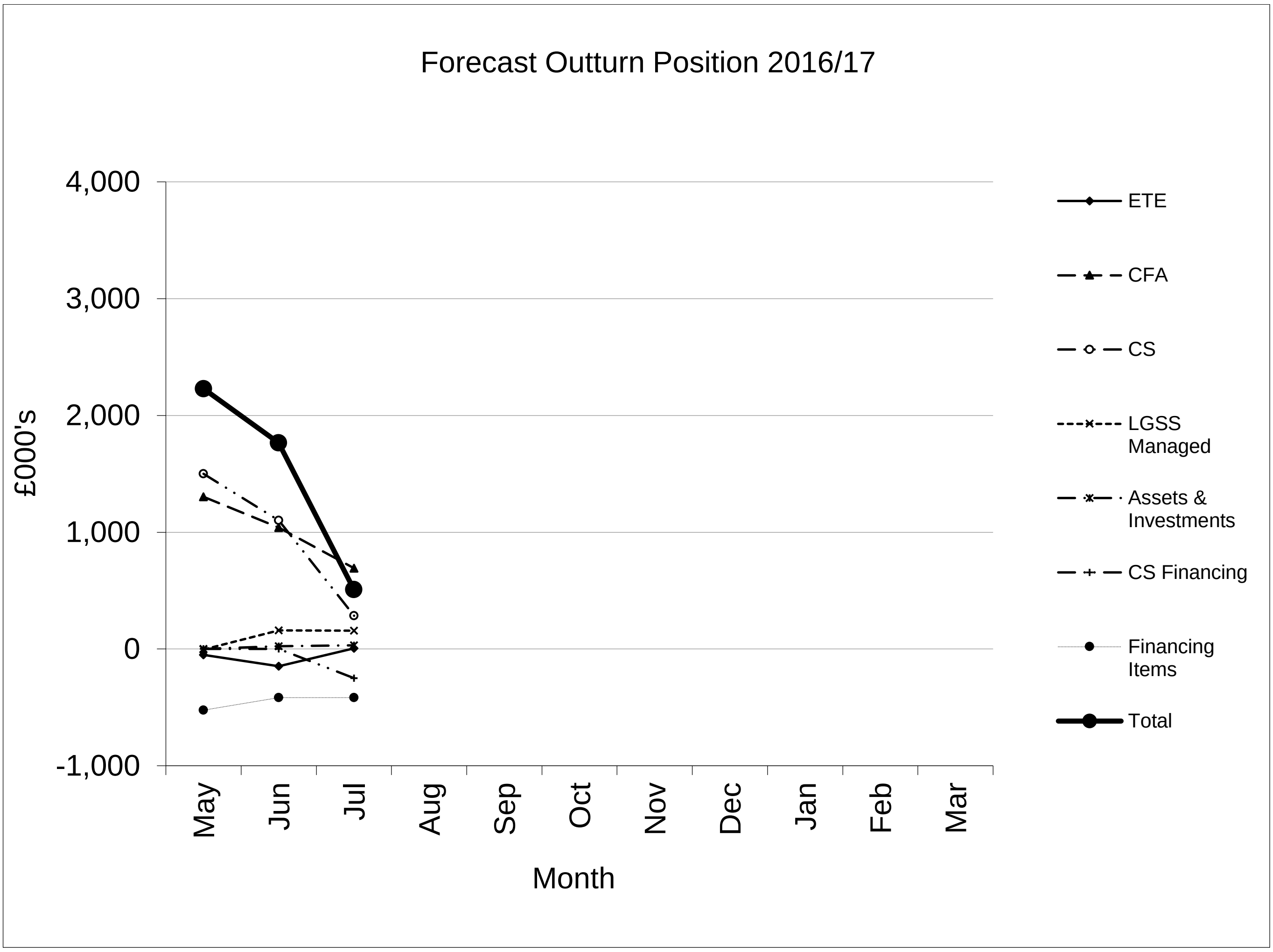
ETE – Economy, Transport and Environment
CFA – Children, Families and Adults
CS Financing – Corporate Services Financing
DoT – Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per Business Plan (BP) £000	Service	Current Budget for 2016/17 £000	Forecast Variance - Outturn (June) £000	Forecast Variance - Outturn (July) £000	Forecast Variance - Outturn (July) %	Overall Status	DoT
59,952	ETE	61,967	-147	7	0.0%	Green	↓
242,563	CFA	242,310	1,041	693	0.3%	Amber	↑
182	Public Health	182	0	0	0.0%	Green	↔
4,674	Corporate Services	4,830	1,102	285	5.9%	Amber	↑
6,010	LGSS Managed	6,010	159	157	2.6%	Amber	↑
2,711	Assets & Investments	2,714	25	31	1.1%	Green	↓
34,206	CS Financing	34,206	0	-250	-0.7%	Green	↑
350,298	**Service Net Spending**	**352,219**	**2,180**	**923**	**0.3%**	**Amber**	↑
4,677	Financing Items	1,900	-415	-415	-21.8%	Green	↓
354,975	**Total Net Spending**	**354,119**	**1,765**	**508**	**0.1%**	**Amber**	↑
	Memorandum items:						
9,589	LGSS Operational	9,682	83	98	1.0%	Amber	↓
222,808	Schools	222,808					
587,372	**Total Spending 2016/17**	**586,610**					

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

[2] The forecast variance outturn does not include the £9.3m budget saving in 2016/17 following the change in Minimum Revenue Provision (MPR) policy, which was approved by Council on 16 February 2016.

[3] For budget virements between Services throughout the year, please see Appendix 1.



3.2 Key exceptions this month are identified below.

3.2.1 **Economy, Transport and Environment:** +£0.007m (0.0%) overspend is forecast at year-end. There are no new exceptions to report; for full and previously reported details see the ETE Finance & Performance Report.

3.2.2 **Children, Families and Adults:** +£0.693m (0.3%) overspend is forecast at year-end.

	£m	%
• **Learning Disability Head of Services** – The Head of Service policy line is currently forecasting an underspend of £759k. This is a movement of -£292k from last month. The movement is the result of holding back additional expenditure on vacant posts and contracts to offset against pressures elsewhere in the pool totalling -£120k, and increasing the forecast Clinical Commissioning Group contribution to the Learning Disability Partnership (LDP) overspend by -£172k, due to the risk share on the pooled budget.	-0.759	(-48%)

• **Learning Disability Young Adults – City, South and East Localities** – An overspend of £825k is forecast for year-end. This is an increase of £311k on the forecast reported last month. In South Locality costs have increased by £106k as a result of changes in service user need. The remainder of the increase is due to the updating of spending commitments after loading packages onto an automated payments and recording system, and updated expectations for the delivery of savings in the remainder of the year.	+0.825	(+3%)
• **Learning Disability – Hunts & Fenland Localities** – An overspend of £748k is forecast for year-end. This is an increase of £490k on the forecast reported last month. £280k of this increase is within Hunts Locality and is mainly as a result of a service user's previous placement breaking down. Further pressures have been caused through revised estimates of future transport and variable package costs. The remainder of the increase is due to an updated estimate of savings achievable in the remainder of the year.	+0.748	(+4%)
• **Mental Health – Adults & Older People (OP)** – An underspend of £676k is forecast at year-end. This is a movement of -£450k from the position reported last month. £200k of the overall underspend reflects the level and amount of care provided being lower than anticipated at this stage of the year. This accounts for £100k of the increase in the underspend reported last month. The remaining £350k of increase in underspend is due to scrutiny of care and funding arrangements for service users identifying that the County Council is funding health responsibilities for some placements made through Section 41 of the Mental Health Act. Discussions are ongoing with the Clinical Commissioning Group (CCG) to address the provision of appropriate health funding and it is anticipated this could yield additional savings of £350k. The remaining £126k forecast underspend is due to successful price negotiations on contracts.	-0.676	(-5%)

- Other areas in CFA account for the additional -£406k movement in the overall position of CFA since last month, but none meet the exception threshold of £250k for reporting.

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

3.2.3 **Public Health (PH):** 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.

3.2.4 **Corporate Services:** +£0.282m (+5.8%) overspend is forecast at year-end.

	£m	**%**
Director, Policy & Business Support – an overspend of £403k is forecast at year-end. This is a movement of -£775k on the previously reported position.	+0.403	(49%)

The last report to this Committee identified an underachievement of the in-year saving in respect of the Corporate Capacity Review (CCR). As explained this was caused by a delay in the implementation of the restructure rather than a reduction in the quantum of the saving. This was as a result of the unforeseen complexity and capacity of the Council to manage a cross organisation, multi discipline restructure of this nature without a central resource to call upon to support its delivery. In addition a robust engagement process has been undertaken in order to ensure successful delivery of the proposals. Even with this engagement there has been some resistance within the organisation as change of this level and complexity is unprecedented within the Council. Whilst the overall quantum of the saving will be delivered the aforementioned factors have resulted in a delay in implementation.

The level of the in-year pressure identified in the last report period was highlighted as being the worst case scenario and further work has been undertaken to refine this position. A recruitment freeze has been in place since the consultation process commenced and although the position will improve slightly over the coming months as some staff that are at risk take the opportunity to leave the organisation it is likely that directly attributable savings from CCR will be in the region of £875k.

At the last meeting the Committee asked for officers to consider ways to bridge this in-year budget pressure. In addition to the refining of the projection as set out above there are two opportunities to further reduce this pressure:

- As highlighted in previous General Purposes Committee (GPC) Workshops the CCR was the first phase of a review of the Council's overall staffing resources and structures. A larger more in depth review of the whole organisation looking at spans of control and tiers of management was planned to be implemented on a phased basis over 2017/18 and 2018/19. Given the scale of these potential changes, and the slippage in delivering the CCR, it has been agreed to approach the review on a more tactical basis and therefore bring forward some early proposals.

- It is anticipated that this will lead to a significant reduction in the numbers of management within the Council, the potential for some jointly funded posts with other organisations, leading to substantial savings in management costs. This will provide some protection to the services that we provide to our communities whilst potentially leading to a more integrated service offer that could provide improved outcomes for the population. The details of these proposals are still being refined but it is anticipated that savings in the region of £300k could be achieved in the current financial year.

- The Council has held a contractual provision in relation to Capita/Mouchel latent defect corrections. Given the passage of time it is believed that it is reasonable to release £322k of this provision.

- During the budget setting process the Council is provided with revised projections of both in-year council tax and business rate collections and future years. The 2015/16 year end position for business rates has resulted in an improvement of the sums that were assumed. Additional revenue in the sum of £100k will therefore be received that will negate the impact of slippage in delivery of the CCR.

The overall net position of these adjustments will therefore leave a shortfall of around £400k. Officers will continue to work on reducing this shortfall further throughout the year.

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

3.2.5 **LGSS Managed:** +£0.157m (+2.6%) overspend 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.

3.2.6 **CS Financing:** -£0.250m (-0.7%) underspend is currently forecast for Debt Charges. This reflects the fall in the forecast for net interest payable following falls in interest rates across all parts of the yield curve. For full and previously reported details see the CS & LGSS Finance & Performance Report.

3.2.7 **LGSS Operational:** +£0.098m (+1.0%) overspend 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.

3.2.8 **Assets & Investments**: +£0.031m (+1.1%) overspend is forecast at year-end. There are no new exceptions to report this month; for full and previously reported details see the A&I Finance & Performance Report.

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 CFA Finance & Performance Report (section 2.5).

5. PERFORMANCE TARGETS

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
Developing our economy	Percentage of Cambridgeshire residents aged 16 - 64 in employment: 12-month rolling average	ETE	High	At-31-Dec-2015	%	80.4%	80.3% (2015/16 target)	Green	↔
	Additional jobs created	ETE	High	To 30-Sep-2014	Number	+14,000	+ 3,500 (2015/16 target)	Green	↑
	'Out of work' benefits claimants – narrowing the gap between the most deprived areas (top 10%) and others	ETE	Low	At-30-Nov-2015	%	Gap of 6.4 percentage points Most deprived areas (Top 10%) = 11.4% Others = 5%	Most deprived areas (Top 10%) <=12% Gap of <7.2 percentage points (2015/16 target)	Green	↑
	The proportion of children in year 12 taking up a place in learning	CFA (Enhanced and Preventative Services - E&P)	High	June 16	%	94.5%	96.5%	Amber	↓
	Percentage of 16-19 year olds not in education, employment or training (NEET)	CFA	Low	June 16	%	3.4%	3.3%	Amber	↓
	The proportion pupils attending Cambridgeshire Primary schools judged good or outstanding by Ofsted	CFA (Learning)	High	June 16	%	80.8%	82.0%	Amber	↑
	The proportion pupils attending Cambridgeshire Secondary schools judged good or outstanding by Ofsted	CFA (Learning)	High	June 16	%	55.5%	75.0%	Red	↑
	The proportion pupils attending Cambridgeshire Special schools judged good or outstanding by Ofsted	CFA (Learning)	High	June 16	%	94.8%	100%	Amber	↔

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
Helping people live independent and healthy lives	The proportion of Adult Social Care (ASC) and Older People's Service users requiring no further service at end of re-ablement phase	CFA	High	June 16	%	52.8%	57%	Amber	↓
	Reduced proportion of Delayed Transfers of care from hospital, per 100,000 of population (aged 18+)	CFA	Low	May 16	Number	556	429 per month (4874.5 per year)	Red	↓
	Number of ASC attributable bed-day delays per 100,000 population (aged 18+)	CFA	Low	May 16	Number	124	114	Amber	↑
	Healthy life expectancy at birth (males)	Public Health	High	2012 – 2014	Years	66.1	N/A – contextual indicator	Green (compared with England)	↓ (compared with previous year)
	Healthy life expectancy at birth (females)	Public Health	High	2012 – 2014	Years	67.6	N/A – contextual indicator	Green (compared with England)	↑ (compared with previous year)
	Absolute gap in life expectancy between the most deprived 20% of Cambridgeshire's population and the least deprived 80% (all persons)	Public Health	Low	2013-2015 (Q4 2015)	Years	2.6	N/A – contextual indicator	N/A – contextual indicator	↔
Supporting and protecting vulnerable people	The number of looked after children per 10,000 children	CFA (Children's Social Care (CSC)	Low	June 16	Rate per 10,000	46.7	40	Red	↑
	No/ % of families who have not required statutory services within six months of have a Think Family involvement.	CFA (E&P)	TBC	TBC	TBC	TBC	*TBC new measure for 2016/17*	TBC	TBC

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
An efficient and effective organisation	The percentage of all transformed transaction types to be completed online	Customer Services & Transformation	High	1 Apr– 30 June 2016	%	70.4%	75%	Amber	⬇
	The average number of days lost to sickness per full-time equivalent staff member	LGSS HR	Low	July 16	Days (12 month rolling average)	6.49	7.8	Green	⬇

** 'Out of work' benefits claimants - narrowing the gap between the most deprived areas (top 10%) and others – the target of ≤12% is for the most deprived areas (top 10%). At 6.7 percentage points the gap is the same as last quarter, but is narrower than the baseline (in May 2014) of 7.2 percentage points.*

5.2 Key exceptions: there are no exceptions to report this month; for full and previously reported details go to the respective Service Finance & Performance Report:

- ETE Finance & Performance Report
- CFA Finance & Performance Report
- PH Finance & Performance Report
- CS & LGSS Finance & Performance Report
- A&I Finance & Performance Report

6. CAPITAL PROGRAMME

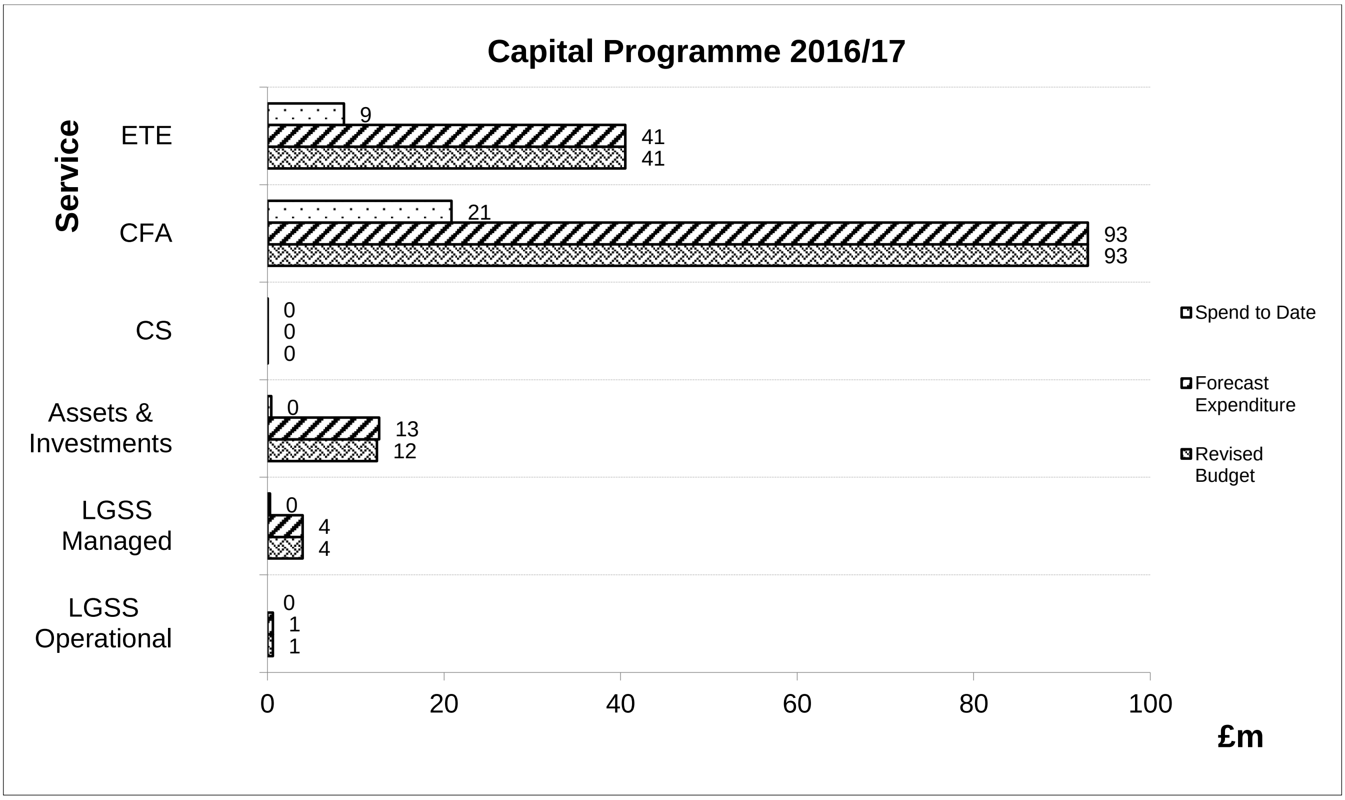
6.1 A summary of capital financial performance by service is shown below:

2016/17						TOTAL SCHEME	
Original 2016/17 Budget as per BP £000	Service	Revised Budget for 2016/17 £000	Forecast Variance - Outturn (June) £000	Forecast Variance - Outturn (July) £000	Forecast Variance - Outturn (July) %	Total Scheme Revised Budget (July) £000	Total Scheme Forecast Variance (July) £000
71,699	ETE	40,548	-	-	0.0%	415,047	-
97,156	CFA	92,921	0	0	0.0%	543,222	13,984
33	Corporate Services	48	-	-	0.0%	300	-
4,405	LGSS Managed	3,996	-	-	0.0%	15,628	-0
11,397	Assets & Investments	12,412	29	232	1.9%	240,324	-1,730
1,104	LGSS Operational	618	-	-	0.0%	1,704	-
185,794	**Total Spending**	**150,543**	**29**	**232**	**0.2%**	**1,216,225**	**12,253**

Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted, including the capital programme variations budget allocated to each service. A breakdown of the use of the capital programme variations budget by service is shown in section 6.2.

2. The reported ETE capital figures do not include City Deal, which has a budget for 2016/17 of £7.4m and is currently forecasting an in-year underspend of £0.15m.



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 start to be reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

2016/17					
Service	**Capital Programme Variations Budget £000**	**Forecast Variance - Outturn (July) £000**	**Capital Programme Variations Budget Used £000**	**Capital Programme Variations Budget Used %**	**Revised Forecast Variance - Outturn (July) £000**
ETE	-10,500	-2,827	2,827	26.92%	0
CFA	-10,282	-3,739	3,739	36.36%	0
Corporate Services	-12	0	0	0.00%	0
LGSS Managed	-1,029	0	0	0.00%	0
Assets & Investments	-2,850	232	0	0.00%	232
LGSS Operational	-155	0	0	0.00%	0
Total Spending	**-24,828**	**-6,334**	**6,566**	**26.45%**	**232**

6.3 A more detailed analysis of current year key exceptions this month by programme for individual schemes of £0.5m or greater are identified below.

6.3.1 **Economy, Transport and Environment:** a balanced budget is forecast at year end.

	£m	%
• **Kings Dyke**: planning permission has been granted and the tender package prepared. However, problems in agreeing access to private land for ground investigation surveys has delayed the completion of the works information and thus the start of the project; it is anticipated that this will be resolved in September and the works package is expected to be awarded in early 2017.	-2.6	(-77%)
• **ETE 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.	+2.8	(+27%)

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

6.3.2 **Children, Families and Adults:** a balanced budget is forecast at year end.

	£m	%
• **Basic Need – Primary** - a number of schemes have experienced in-year cost movements since the Business Plan was approved and Basic Need – Primary is now forecasting a £2.99m underspend, which is a movement of -£1.12m on the position reported last month, as explained below. ◦ Northstowe First Primary; -£346k (-14%). Slippage is due to furniture, equipment and part of the ICT requirement not being needed in 2016/17, as the school is not due to open until September 2017. ◦ Bearscroft Primary School; -£690k (-12%). The start date for works on site has slipped by a month and works are now not expected to commence until September 2016. ◦ Meldreth Primary, nil variance. Works have now moved back in line with the original timescale; last month they were progressing ahead of schedule and a +£140k in-year variance was forecast.	-3.0	(-7%)
• **CFA 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. There has been a movement of +£1.17m in the outturn for CFA capital variation since last month.	+3.7	(+36%)

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

6.3.3 **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.

6.3.4 **LGSS Managed:** 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.

6.3.5 **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.

6.3.6 **Assets & Investments**: +£0.232m (1.9%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the A&I Finance & Performance Report.

6.4 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.5m or greater are identified below:

6.4.1 **Economy, Transport and Environment:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the ETE Finance & Performance Report.

6.4.2 **Children, Families and Adults:** +£14.0m (3%) total scheme overspend is forecast. This is an increase of £8.2m on the position reported last month.

	£m	%
Basic Need – Primary Previously reported exceptions remain. Since June the overall position has moved by +£7.8m. This is mainly due to changes in the outturn of the following schemes: • Loves Farm Primary: +£2,320k (27%). The scope of the project has been extended to a two form entry school. • Barrington Primary: +£1,890k (126%). Costs have increased after the option appraisal has been completed and costs have been inflated to meet a September 2020 delivery. • Clay Farm, Cambridge: +£1,543k (14%). The scope of the project has been extended to a two form entry school to accommodate further anticipated housing development. • Ramnoth, Wisbech: +£740k (11%) due to increased build cost identified at the design stage. • Hatton Park, Longstanton: +£530k (11%) due to an increased build cost identified at the planning stage and the cost of	12.6	(6%)

transporting children to school in Northstowe to minimise disruption while building works are ongoing.

As the changes relate to future years, funding for these schemes will be addressed through the 2017/18 Business Planning process.

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

6.4.3 **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.

6.4.4 **LGSS Managed:** a total scheme balanced budget is forecast. The schemes in LGSS Managed that were reporting total scheme underspends have now transferred to Assets & Investments. There are no new exceptions to report this month; for full and previously reported details see the CS & LGSS Finance & Performance Report.

6.4.5 **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.

6.4.6 **Assets & Investments**: -£1.7m (-0.7%) total scheme underspend is forecast. The schemes affected were previously reported as exceptions under LGSS Managed. There are no new exceptions to report this month; for full and previously reported details see the A&I Finance & Performance Report.

6.5 A breakdown of the changes to funding has been identified in the table below:

Funding Source	B'ness Plan Budget £m	Rolled Forward Funding1 £m	Revised Phasing £m	Additional/ Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	20.5	0.2	-1.7	1.0	**20.0**	20.0	-
Basic Need Grant	3.8	-	-	-	**3.8**	3.8	-0.0
Capital Maintenance Grant	4.6	-	-	0.1	**4.7**	4.7	-
Devolved Formula Capital	1.1	0.9	-	-0.0	**1.9**	1.9	-0.0
Specific Grants	21.1	3.6	-12.7	1.6	**13.7**	10.9	-2.8
S106 Contributions & Community Infrastructure Levy (CIL)	30.3	1.1	-3.7	0.0	**27.7**	27.7	-0.0
Capital Receipts	10.3	-	-	-4.0	**6.2**	6.2	-0.0
Other Contributions	10.7	0.2	-8.8	0.2	**2.3**	2.2	-0.0
Revenue Contributions	-	-	-	-	**-**	-	-
Prudential Borrowing	83.4	10.2	-29.3	5.9	**70.2**	73.3	3.1
TOTAL	**185.8**	**16.3**	**-56.1**	**4.6**	**150.5**	**150.8**	**0.2**

[1] Reflects the difference between the anticipated 2015/16 year end position, as incorporated within the 2016/17 Business Plan, and the actual 2015/16 year end position.

6.6 Key funding changes (of greater than £0.5m or requiring approval):

Funding	Service	Amount (£m)	Reason for Change
Rolled forward funding (Prudential Borrowing)	A&I	£0.5	£455k of the 2015/16 underspend on building maintenance schemes at Shire Hall and other County Council sites was identified as slippage due to unavoidable delays in completing condition surveys, meaning works planned for 2015/16 could not be completed. The funding is still required to complete the works in 2016/17 and a schedule of spend for the full amount of the 2016-17 budget has now also been

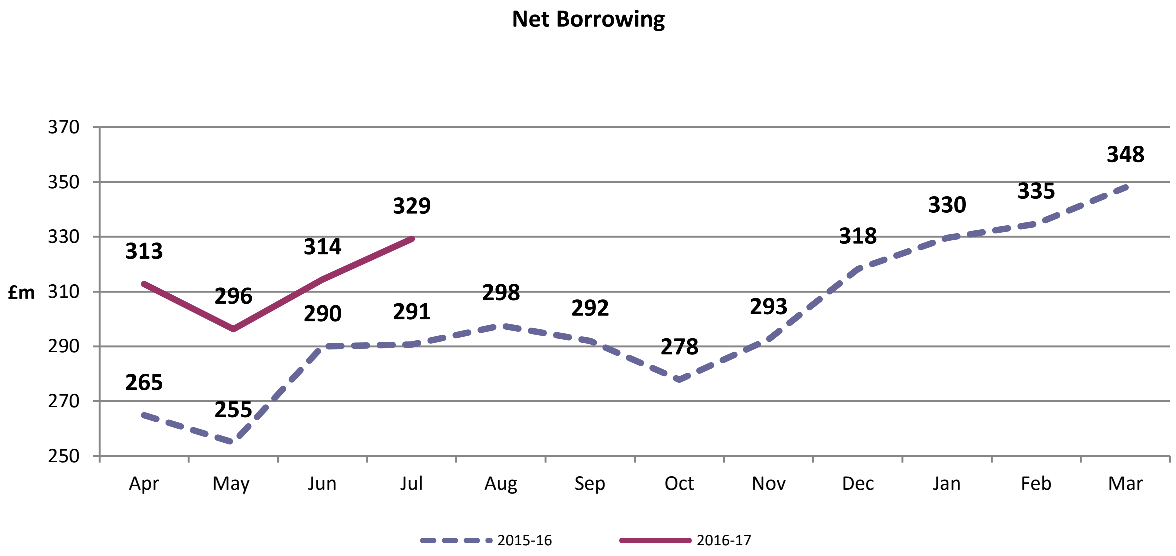
			identified; therefore the roll forward of 2015-16 budget is required. General Purposes Committee is asked to note the recommendation made to Assets & Investments Committee to approve the carry forward of £455k of funding to 2016/17 for this scheme.
Additional funding (Prudential Borrowing)	A&I	£0.7	The Soham Eastern Gateway project requires additional funding of £700k in 2016/17 for additional works including reconfiguration of parking, alteration to a listed wall and relocation of a heat pump. General Purposes Committee is asked to note the recommendation made to Assets & Investments Committee to approve additional Prudential Borrowing of £700k in 2016/17 to support this scheme.

7. BALANCE SHEET

7.1 A more detailed analysis of balance sheet health issues is included below:

Measure	Year End Target	Actual as at the end of July
Level of debt outstanding (owed to the council) – 4-6 months, £m	£0.4m	£0.9m
Level of debt outstanding (owed to the council) – >6 months, £m	£1.0m	£2.2m
Invoices paid by due date (or sooner)	97.5%	99.7%

7.2 The graph below shows net borrowing (investments less borrowings) on a month by month basis and compares the position with the previous financial year. The levels of investments at the end of July were £32.9m (excluding 3rd party loans) and gross borrowing was £362.1m.



7.3 Key exceptions are identified below:

Key exceptions	Impacts and actions
Less borrowing activity than planned –original net borrowing forecast was £479m. Actual net borrowing at 31st July was £329m.	A £250k underspend is currently forecast for Debt Charges. This reflects the fall in the forecast for net interest payable following falls in interest rates across all parts of the yield curve. The impact of lower borrowing on the Debt Charges budget would normally result in a favourable forecast variance (due to lower interest payments). However the Debt Charges budget was reduced in anticipation of capital expenditure slippage during the budget setting process, so the magnitude of the variance reported is muted. The Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances (where possible) and undertaking shorter term borrowing which could potentially generate savings next year, subject to an assessment of the interest rate risks involved.

7.4 Further detail around the Treasury Management activities can be found in the latest Treasury Management Report.

7.5 A schedule of the Council's reserves and provisions can be found in appendix 2.

8. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

8.2 **Helping people live healthy and independent lives**

There are no significant implications for this priority.

8.3 **Supporting and protecting vulnerable people**

There are no significant implications for this priority.

9. SIGNIFICANT IMPLICATIONS

9.1 **Resource Implications**

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

9.2 **Statutory, Risk and Legal Implications**

There are no significant implications within this category.

9.3 **Equality and Diversity Implications**

There are no significant implications within this category.

9.4 **Engagement and Consultation Implications**

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

9.5 **Localism and Local Member Involvement**

There are no significant implications within this category.

9.6 **Public Health Implications**

There are no significant implications within this category.

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

	CFA £'000	Public Health £'000	ETE £'000	CS Financing £'000	Corporate Services £'000	LGSS Managed £'000	Assets & Investments £'000	LGSS Operational £'000	Financing Items £'000
Opening Cash Limits as per Business Plan	242,563	182	59,952	34,206	4,674	8,720	0	9,589	3,915
Adjustment LGSS Managed and Operational						10		-10	
LGSS property virement					10			-10	
Licenses budget from LGSS Op. to CS					17	-17			
Contact Centre budget from CFA to CS	-77				77				
CPFT NHS accommodation budget from CFA to LGSS Man.	-10					10			
Reablement budget from CFA to LGSS Op.	-113							113	
Pupil forecasting/demography budget to research group	-53				53				
ETE use of service reserves			2,015						-2,015
Disaggregation of Assets and Investments budgets						-2,714	2,714		
Current budget	**242,310**	**182**	**61,967**	**34,206**	**4,831**	**6,010**	**2,714**	**9,682**	**1,900**
Rounding	0	0	0	0	0	0	0	0	0

APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 July 16		
	£000s	£000s	£000s	£000s	
General Reserves					
- County Fund Balance	18,921	0	18,921	19,501	
- Services					
1 CFA	1,623	-1,062	561	-132	
2 PH	1,138	0	1,138	638	
3 ETE	3,386	-2,015	1,371	0	
4 CS	1,218	0	1,218	-989	
5 LGSS Operational	1,013	0	1,013	0	
subtotal	27,299	-3,077	24,222	19,018	
Earmarked					
- Specific Reserves					
6 Insurance	2,864	0	2,864	-	
subtotal	2,864	0	2,864	0	
- Equipment Reserves					
7 CFA	782	0	782	168	
8 ETE	218	0	218	250	
9 CS	57	0	57	57	
subtotal	1,057	0	1,057	475	
Other Earmarked Funds					
10 CFA	4,097	-2,122	1,975	636	
11 PH	2,020	0	2,020	1,445	
12 ETE	6,631	-80	6,551	4,919	Includes liquidated damages in respect of the Guided Busway - current balance £2.7m.
13 CS	1,274	0	1,274	1,207	
14 LGSS Managed	149	0	149	149	
15 Assets & Investments	233	47	280	327	
16 LGSS Operational	130	0	130	130	
17 Transformation Fund	9,891	0	9,891	19,142	Savings realised through change in MRP policy
subtotal	24,425	-2,155	22,270	27,955	
SUB TOTAL	**55,645**	**-5,232**	**50,413**	**47,448**	
Capital Reserves[1]					
- Services					
18 CFA	2,428	6,308	8,736	425	
19 ETE	11,703	13,633	25,336	10,200	
20 LGSS Managed	422	-322	100	100	
21 Assets & Investments	230	85	315	230	
22 Corporate	39,388	1,335	40,723	21,283	Section 106 and Community Infrastructure Levy balances.
subtotal	54,171	21,039	75,210	32,238	
GRAND TOTAL	**109,815**	**15,807**	**125,622**	**79,685**	

Notes:

1. The figures do not include City Deal reserves, which have a current balance of £37.8m and are anticipated to have a year-end balance of £30.4m.

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 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 July 16		
	£000s	£000s	£000s	£000s	
- Short Term Provisions					
1 ETE	712	0	712	0	
2 CS	1,312	0	1,312	1,312	
3 LGSS Managed	5,545	0	5,545	5,545	
4 Assets & Investments	50	0	50	50	
subtotal	7,619	0	7,619	6,907	
- Long Term Provisions					
5 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	**11,232**	**0**	**11,232**	**10,520**	

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

MEETING DATE REPORT DEADLINES AND REPORT TITLES	**Frequency of report**	**Corporate/Service Director /external officer responsible**	**Report author**
20th SEPTEMBER 2016 **Deadline for reports to be with Democratic Services: Mid-day Tuesday 6th September**			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Annual Report to Council	Once a year presented to the October full council meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Accounts: • Revised Statement of Accounts • ISA 260 Report and Letter of Representation and • ISA 260 Report – Pension Fund	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant External Audit BDO LLP	Chris Malyon /Iain Jenkins Lisa Clampin, and Barry Pryke David Eagles

Internal Audit Progress Report (Including progress of implementation of Management Actions and Internal Audit Plan Update and update on Anti-fraud and Whistleblowing and the Galileo audit management and documentation reporting system which should include details of milestones and be included as a regular progress update item within the IAPR)	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson / Mairead Kelly
Risk Updates Report	Regular	Director, Customer Services and Transformation	Sue Grace / Sue Norman
Resources and Performance Update Report	Each Cycle	Chief Finance Officer	Chris Malyon / Sarah Heywood / Rebecca Bartram

22nd NOVEMBER 2016 **Deadline for reports to be with Democratic Services: Mid-day Tuesday 8TH NOVEMBER 2016**			
Minutes and Minutes Log Update	Each meeting	*Democratic Services*	Rob Sanderson
Safe Recruitment in Schools Update (Moved from September meeting with agreement of Chairman)	Regular update	*Children and Young People*	Keith Grimwade / Chris Meddle / Sara Rogers
Trading Units Update	One off		Mairead Kelly / Keith Grimwade / Martin Wade
Highways Assets a) Revaluation of Highways Assets and Infrastructure Transport Asset Register	 One off		 Mike Atkins / Barry Wylie

b) Update on the 18 month Programme on to register 6,000 parcels of land purchased for Highways Schemes	One off		Camille Haggett
Workforce Strategy and Model - Update Report	Regular update until final Strategy agreed and implemented	Human Resources – Head of People	Martin Cox /Janet Maulder
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram
External Audit - Annual Audit Letter 2015/16 Audit	Annual	External Audit	BDO
External Audit Options - Appointments report		LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress) *Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date*	Each meeting except June as this is too close to the July meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
LGSS Accounts (Moved from September meeting)	Annual	Deputy S151 Officer.	Iain Jenkins

		LGSS	Head of Finance (Deputy S151 Officer) LGSS

24th JANUARY 2017 **Deadline for reports to be with Democratic Services:** **Mid-day 10th January 2017**			
Minute Log	Each meeting	Democratic Services	Rob Sanderson
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations reported to the July Committee meeting on Information Security and Social Care IT System) *Relevant officers to attend the Committee to be invited by Head of*	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Internal Audit where management actions have gone beyond the next agreed target date			
Options Appraisals Report	One off Report		
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / N Hunter
CLEC Update Report		Internal Audit	Mairead Kelly
21st March 2017 **Deadline for reports to be with Democratic Services : Mid-day Tuesday 7TH March 2017**			
Cambridgeshire County Council External Audit Plan 2016-17 to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree	Annual Report to March meeting	BDO LLP	Lisa Clampin, Zoe Thompson and Barry Pryke
Internal Audit Plan 2017/18	Annual to the March meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update)	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Relevant officers to attend the Committee to be invited by N Hunter where management actions have gone beyond the next agreed target date			
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram
JUNE 2017			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Draft Annual Governance Statement	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Cambridge Library Enterprise Centre Review (CLEC) Update on Action Plan Progress to date	Each meeting until completion	Interim Head of Internal Audit	Neil Hunter
Annual Risk Management Report	Annual	Director, Customer Services and Transformation	Sue Grace / Neil Hunter
Annual Internal Audit Report (to be reported on to Council in October)	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Review of Terms of Reference	Once a year	Interim Head of Internal Audit	N Hunter

Integrated Resources and Performance Report	Each Cycle (Except July)	Chief Finance Officer	C Malyon / Rebecca Bartram
JULY 2017			
Deadline for reports to be with Democratic Services – Mid-day			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Workforce Strategy and Model Update	each meeting until Strategy in place	Head of HR	M Cox
Pension Fund 2016-17	Annual	External Audit	David Eagles / Barry Pryke
2017-18 Fee Letter	Annual	External Audit	David Eagles / Barry Pryke
Draft Statement of Accounts: 2016-17 (last year for the draft accounts as the 2017-18 set are required to be agreed by June 2018	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Chris Malyon / Iain Jenkins
LGSS Draft Accounts (for information only)	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Code of Corporate Governance - updated document	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress) *Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date*	Each meeting except June as this is too close to the July meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Audit and Accounts Committee Training Plan. *This may have to be rescheduled to an earlier meeting as there will be elections in May 2017 which will inevitably result in changes of membership.*	Once a year	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

<u>Notes</u>

Risk Management Update reports to March, June, September and January.
The June report will also be the Annual Risk Management Report

2016/17 cycle will be:

- Jan, following SMT November review of corp risk
- March, following SMT February
- June following SMT May review
- September, following SMT August review

Integrated Resources and Performance Report every cycle except July as the meeting is too near the June meeting and General Purposes Committee is later in July and would always be one that had already been through General Purposes Committee or was going to General Purposes Committee in advance of this Committee as the appropriate decision making Committee
Update 8th September 2016