AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Tuesday, 31 May 2022

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

14:00

New Shire Hall
Alconbury Weald
Huntingdon
PE28 4YE

New Shire Hall, Alconbury Weald, Huntingdon, PE28 4YE [Venue Address]

AGENDA

Open to Public and Press

1.	**Notification of appointment of Chair and Vice Chair** *The Annual Council meeting held on 10th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2022-23.*	
2.	**Apologies for absence and declarations of interest** *Guidance on declaring interests is available at http://tinyurl.com/ccc-conduct-code*	
3.	**Petitions and Public Questions**	
4.	**Public minutes of the Audit & Accounts Committee meetings held 7th and 18th March 2022**	**5 - 14**
5.	**Action Log**	**15 - 16**
6.	**External Auditors' Value For Money Conclusion for year ended 31st March 2018** *- verbal item*	

7.	**Financial Reporting and Related Matters**	**17 - 38**
8.	**Audit Results Report - Addendum - Year ended 31st March 2021**	**39 - 62**
9.	**Major Infrastructure Delivery**	**63 - 88**
10.	**Performance Management Framework**	**89 - 112**
11.	**Consultants and Agency Worker Data – Quarter 2 2021-2022 and Quarter 3 2021-2022**	**113 - 116**
12.	**Debt Management Update**	**117 - 124**
13.	**Annual Procurement Report** *- to follow*	
14.	**Draft Annual Governance Statement 2021-2022**	**125 - 142**
15.	**Internal Audit Annual Report 2021-2022**	**143 - 216**
16.	**Audit and Accounts Committee Forward Agenda Plan**	**217 - 220**

17. Exclusion of Press and Public

To resolve that the press and public be excluded from the meeting on the grounds that the agenda contains exempt information under Paragraphs 1 & 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

18. Manor Farm Update

- Information relating to any individual;
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings;

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The Audit and Accounts Committee comprises the following members:

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

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

Audit and Accounts Committee: Minutes

Date: 7th March 2022

Time: 10:00am – 12.45pm

Place: New Shire Hall, Alconbury Weald

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

Officers: Dawn Cave, Mairead Claydon, Neil Hunter, Tom Kelly, Stephen Howarth, Fiona McMillan, Ben Stevenson, Eleanor Tod; Mark Hodgson and Sappho Powell (EY)

44. Apologies for Absence and Declarations of Interest

Apologies were presented on behalf of Councillor Whelan (Councillor Batchelor substituting).

There were no declarations of interest.

45. Petitions and Public Questions

There were no petitions or public questions.

46. Public minutes of the Committee meeting held 25th November 2021

It was resolved to approve the minutes of the Committee meeting held 25th November 2021.

47. Committee Action Log

The Action Log was noted.

The appointment of the External Auditor using PSAA had been noted by full Council, along with the Internal Audit Annual Report for 2020-21.

48. Statement of Accounts and related matters

The Committee considered a report on the progress with the Statement of Accounts for the year ending 31 March 2021, and the updated financial statements.

Members were reminded that the Committee had considered the draft accounts at its July meeting ahead of the External Audit process. The report set out the remaining items required to complete the audit, most of which were in progress. Once completed, any remaining adjustments would be incorporated into the final accounts. The only material item outstanding related to the City Deal Grant, and Members' attention was drawn to Appendix A to the report which provided the Council's assessment of the technical considerations on this point.

A number of adjustments had been made to the Statement of Accounts as a result of the External Audit process, and these were outlined. A further two adjustments had been identified but had not been adjusted.

Members noted the timescales in terms of the previous audit (2017/18) where the Value For Money conclusion had been presented to the Committee by the previous auditors, BDO, at their November 2021 meeting. The next stage was for BDO to issue the audit completion certificate and determination of the objection.

Introducing the provisional audit results report, Mark Hodgson (EY) advised that whilst it was not fully complete, the report provided considerable assurance in key audit risk areas.

Members noted:

- Changes to Materiality levels: overall materiality was set at £18.68M and audit differences above £935,000 would be reported;

- The detail of the two unadjusted audit differences, which related to Property, Plant and Equipment, and Insurance Provision. The Committee was asked to consider the reasons why Management had concluded that these should not be adjusted;

- The detail of the three corrected audit difference, relating to Net Pension Liability, Grant Income and Short term provisions. None of these were material but they were all above the reporting threshold;

- That there were no matters to report on areas of Fraud Risk;

- The risks around Group Consolidation: audit work had been completed in this area and there were a number of minor adjustments to be made to the revised set of accounts, which had been prepared using This Land's unaudited accounts. There had been some audit differences in This Land's final accounts, but these had a neutral impact in the County Council's group accounts;

- Significant assurance was given against all areas on the risk map. The audit remained in progress with respect to the City Deal grant and the Property Plant and Equipment issue, which related to depreciated replacement cost of assets. With regard to the City Deal, there were in essence two possible outcomes: either the current accounting treatment was judged to be correct, or all income should not be recognised in Year 1. The outstanding issue relating to Property, Plant and Equipment related to sample testing of key asset information used in valuations, specifically that used in calculating the obsolescence factor in assets valued under Depreciated Replacement Costs. The obsolescence factor was driven by the Useful Economic Life policy, which the external auditors had not had sight of, so it was not possible to judge if this had been applied correctly;

- There was only one unadjusted audit difference, which was essentially a timing difference between the report date and the accounts. This was not material to the overall audit;

- This had been the second year that the audit had been impacted by delays in provision of Payroll information. There was therefore a recommendation that Management undertake a review as to why Payroll information has taken so long to be provided and implement actions so that Payroll are able to provide supporting information to the audit process in a timely manner in future years;

- One objection had been received from a Cambridgeshire resident. The assessment was being considered in light of the outstanding objection in respect of the 2016/17, 2017/18, 2018/19 and 2019/20 financial statements,.

A Member asked when the external audit would be complete, including the outstanding matters relating to City Deal and the objection from 2020/21 and previous years. The External Auditor advised that he anticipated the City Deal issue to be concluded soon, but that the VFM conclusion, which was being progressed by the previous external auditor under the old National Audit Office requirements would take longer.

Whilst appreciating that there would be audit differences below the level of materiality, a Member expressed concern at the apparent lack of consistency in dealing with those audit differences, as some had been included, such as the Pension liability, and some had not, such as the Property valuations. Officers outlined the rationale behind the two uncorrected differences, and with regard to the property valuations, committed to ensure that correct valuations were available for the 2021/22 accounts. Mark advised that as external auditors, their responsibility was to report audit differences, and they were not uncomfortable with the approach taken in these two instances and the rationale given.

A Member commented that the allegations made about the accounting treatment of the City Deal by the objector were outrageous, especially the allegations about fraud. Auditors and Members had examined these issues extremely carefully, and there was no justification whatsoever for suggesting fraud was involved – there may be a difference of opinion, or even some incorrect information – but the allegations of fraud were outrageous. Similarly the allegation that this had been done to bolster the calculations to demonstrate that the County Council was a Going Concern was nonsense, again given the thorough examination provided by the external auditors.

There was a discussion on the correct treatment of City Deal monies. A Member expressed some concern that monies for future years were classed as usable reserves. Even if International Accounting Standard 20 (IAS20) was correct, and applied appropriately, it was questionable, by one view, whether this gave a true and fair view to users of the accounts, as receipt of the full amount in the first year distorted the Income and Expenditure account, whilst receipts in future years were not reported at all. He asked whether it was possible to override IAS20 in this situation. Mark responded that essentially there were the competing requirements of IAS20 and the CIPFA adaptation. It was noted that the officer report outlined the judgement made in considerable detail, and it was always better to overdisclose in a note or supporting information on such judgements. The Chief Finance Officer welcomed the comments of Members and the external auditor, and advised that additional expert views had been taken on these matters. He pointed out that it related to the accounting of the grant, and there was not necessarily a guarantee that future years' grant income would be forthcoming, but there were reasonable assurances and legitimate expectations

that was the case. This did not have an impact on the Council's Going Concern status, or the financial resilience or stability of the Council.

The Member who had raised the City Deal issue commented that he was reassured that there would be further discussions between officers and external auditors on these matters, and that a thorough examination would take place on how this particular matter would be concluded. However, his question was really whether it would be appropriate to go against that conclusion, i.e. move away from treatment in line with IAS20, so that it made more sense to users of the accounts. The External Auditor advised that whilst this was a consideration, auditors did not like to depart from international accounting standards, but he acknowledged that it was important to consider "true and fair" in relation to the perception of the reader of the accounts.

Whilst acknowledging that the treatment of the City Deal grant was a complex matter and that there were legitimate arguments on its potential to distort the accounts to some extent, another Member commented that the allegations of fraud and impact on Going Concern were outrageous, and he condemned the any mischief that had been generated by some parties over what was a technical accounting issue, including conspiracy theories and implications of criminal conduct to the National Audit Office. He condemned this intolerable behaviour towards the Council's officers, and commented that this matter needed to be concluded as quickly as possible.

A Member asked about progress with the VFM issue, and how much of an issue this was for the Council. The Chief Finance Officer reminded Members that at their November meeting, the Committee had received BDO's conclusions and recommendations on the procurement issues stemming from objections raised to the 2017/18 Accounts. An update on procurement would be considered by the Committee at its May meeting. While the value for money conclusion from BDO had subsequently been received, the determination of the objection had yet to be concluded formally by BDO. Once this had been determined, the similar or related objections raised in subsequent years needed to be determined. It was not desirable to have the VFM issue still outstanding, and officers were constructively engaging with BDO to conclude those matters.

A Member advised that due to the growing pressures within SEND nationally, the Department for Education had invited the Council to participate in the "safety valve" intervention programme.

With regard to the delays in providing information from Payroll, a Member asked how this area was being addressed. The Chief Finance Officer advised that the required information for completion of this audit was now in place. He confirmed that officers had performance concerns about Payroll and these were being addressed. Payroll was a shared service across four authorities, and was hosted by West Northamptonshire Council, and managed through a Lead Authority Board. The Internal Auditor advised that from an internal audit perspective, concerns had been raised around Control Accounts not being completed as regularly as they could be, but he did not have the detail available on those issues.

The Chair reminded Members that there was a recommendation to delegate signature of the final accounts to the Chief Finance Officer, and he committed to advising the Committee if there were any notable changes in the final version.

The Committee resolved unanimously to:

1. note this report and review and comment on the revised Statement of Accounts;

2. note the external auditor's Audit Results report;

3. approve the decision to not adjust the Statement of Accounts in relation to the two items highlighted in section 2.6 of the report;

4. delegate to the Chief Finance Officer and Chair of this Committee to sign the final Statement of Accounts, and to make any related declarations, taking account of the adjustments agreed with the external auditor.

49. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 18th February 2022.

Presenting the report, officers highlighted the following areas:

- Highways audit work had paused in early December, and the Audit team were awaiting Open Book Review which would commence on 01/04/22. There had been positive progress and this work was ongoing;

- Risk management – the Corporate Leadership Team (CLT) had discussed the Corporate Risk Register recently and agreed that it was accurate and appropriate, with the following changes:

  - Split the single safeguarding risk into two, Adults and Children's;
  - The risk around budgets had been reworded to reflect the short and medium term assurance required;
  - The risk around Serious Incidents occurring would remove specific reference to Covid, as this was implicit;
  - A specific reference to Cyber Crime had been added to the Risk Register;
  - Specific risks around This Land had been removed, and replaced with more strategic risks around partnerships.

- The updated Risk Register would be presented to the May Committee meeting;

- That there were 65 management actions outstanding, and the majority were in the Place & Economy directorate, many of which related to the Capital audit work which had included a large number of recommendations. There were also a number outstanding in Resources, most of which would be picked up in the current audit of key financial systems;

- The allegation of timesheet fraud, which detailed how an individual working as a full-time interim had been doing a similar role for another local authority at the same time. The individual was no longer engaged by the Council, and it was not possible to pursue this as a criminal fraud, but a referral had been made to the ethics board of individual's professional institute, and a number of

recommendations had been made. HR had already implemented all recommended actions especially in relation to the Agency Worker and Interims policy.

Arising from the report:

- A Member noted that a redraft of the Council's Anti-Fraud and Corruption Policy would be considered at the next Committee meeting, and there was a reference in the covering report to the joint work with District Councils to reduce Council Tax fraud. He asked if this report could show (i) what the cost was to the County Council of the joint project; (ii) the anticipated returns to the County Council as a result of that work; and (iii) whether there were marginal gains to be had by expanding that work. Officers advised that the Council Tax Fraud Initiative project would not be referenced specifically in the Policy, but they were happy to provide an update on the Council Tax fraud project. Action required;

- A Member expressed concern regarding the lengthy list of outstanding recommendations which have missed their target dates, some by many months. He had queries about "repeat offenders", and asked if there was a positive direction of travel. It was confirmed that the original target date always remained the same in the report i.e. there were no revisions of revised dates, and that it was currently unusually high for a number of reasons. The Executive Director: Place & Economy would be attending the next meeting on the 26 recommendations relating to contract management work, many of which were in progress or complete, but for which assurance had not been received on the extent to which they had been implemented. Additionally, there were a significant number of recommendations coming out of the case of the timesheet fraud for Place & Economy. The Committee was assured that this report was considered quarterly by CLT, and CLT were aware of the risks if recommendations were not implemented in a timely fashion. Whilst the number of outstanding recommendations was high, it was expected that many would be signed off prior to the annual opinion. The Chief Finance Officer confirmed that CLT was cognisant of the seriousness of this report, and he would raise the Committee's concerns with CLT;

- A Member requested future iterations of reports, 'Essential' recommendations were listed at the top. Officers confirmed that this would be done going forward, and highlighted that this was the case in the narrative of the report. Action required;

- Noting that there was a core audit of areas audited annually, a Member asked, from a risk perspective, whether there were any audits that could be done less frequently, to give the team greater flexibility? The Head of Internal Audit confirmed that the core audit was effectively the minimum expected audit coverage across the organisation, and he gave examples on how those audits were modified in terms of resources and intensity, depending on the outcomes of previous audits and officer/CLT view. He welcomed Member views on any areas Members felt required greater or less focus in the Audit Plan;

- A Member asked if the Risk Register could be presented to the Committee at every meeting. Action required;

- The Chair asked Members if they were comfortable with the Internal Audit Charter. He felt that it was quite passive, and he favoured the Committee's Terms of Reference, included at Annex G to the report, was both more detailed and had used more proactive language. Members confirmed they were happy with the Terms of Reference as an accurate and comprehensive description of the Committee's role;

- A Member asked what the process would be if the Committee felt that a specific area needed to be investigated, would they be able to raise this with Internal Audit, or would this be seen as "directing" the team? The Head of Internal Audit commented that the Committee did not "direct" or "approve" as it was one of many stakeholders who would influence the Internal Audit Plan, and the need for the Internal Audit function to be independent. However, in practice, the Internal Audit team would take a recommendation from the Audit Committee to look at a particular issue, if it was material and relevant to the Council's work.

It was resolved unanimously to note and comment on the report.

50. Manor Farm Update

The Committee considered a report on the publication of the remainder of the Mazars independent review of the County Council's Internal Audit Investigation into Manor Farm. The Chair advised that he had accepted this report as a late item on the following grounds:

1. Reason for lateness: To allow the report to contain the most up to date information possible.

2. Reason for urgency: To enable the committee to consider whether to publish further information in light of the recent Constitution & Ethics Committee decision to publish the Code of Conduct report by Wilkin Chapman LLP.

The Monitoring Officer reminded Members that when the Audit & Accounts Committee had met in July 2021 to consider this matter, they had agreed not to publish the Mazars independent review at that time, in order to await the outcome of any action on the recommendations relating to member conduct. Since that meeting, the Constitution and Ethics Committee had agreed to commission an an investigation into the conduct of Roger Hickford. At a Constitution & Ethics Committee meeting on 25th February 2022 to consider the investigation report, Members had agreed to make the findings of that investigation public, as the public interest in publishing the report outweighed the public interest in maintaining the exemption.

The Audit and Accounts Committee was asked to consider if the public interest in disclosing the information within the remainder of the 69-page Mazars report, following the conclusion of the Code of Conduct investigation, outweighed the public interest in maintaining the exemption. The Committee agreed to move into private session to consider legal advice on this issue.

Exclusion of Press and Public

It was resolved that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraphs 1 & 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

Returning to public session, the Chair announced that following lengthy discussion, it had been agreed to adjourn this item to enable further legal advice to be obtained on the questions raised and consider it further at a special meeting of the Committee, on a date to be determined, which would take place before the pre-election period, which commenced on Monday 28th March.

51. Audit and Accounts Committee Agenda Plan

The Committee noted the Agenda Plan.

Audit and Accounts Committee: Minutes

Date: 18th March 2022

Time: 2:00pm – 3.25pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden, S Ferguson (substituting for Cllr S Taylor), N Gay (Vice-Chair), M McGuire, A Sharp, A Whelan and G Wilson (Chair)

Officers: Dawn Cave, Fiona McMillan, Stephen Moir and Ben Stevenson

52. Apologies for Absence and Declarations of Interest

Apologies were presented on behalf of Councillor Taylor (Councillor Ferguson substituting).

There were no declarations of interest.

53. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraphs 1 & 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

54. Manor Farm update

Returning to public session, the Chair announced that a number of actions had been agreed. The intention was to publish as much as possible of Mazars report and this would be considered at a later meeting. Looking ahead, the Committee was also keen to identify lessons learned, and feed into the work for Strategy & Resources Committee in establishing a programme of actions to resolve the issues raised.

Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 23rd May 2022 and captures the actions arising from the most recent Audit and Accounts Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 7th March 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
49.(1)	Internal Audit Progress Report	Mairead Claydon	Officers advised that the Council Tax Fraud Initiative project would not be referenced specifically in the Policy, but they were happy to provide an update on the Council Tax fraud project.	An update on the project is included in the Internal Audit Annual Report.	Completed
49.(2)	Internal Audit Progress Report	Mairead Claydon	A Member requested that in future iterations of reports, 'Essential' recommendations were listed at the top. Officers confirmed that this would be done going forward.	This is being implemented for the reporting of follow-ups from the Annual Report onwards.	Completed

49.(3)	Internal Audit Progress Report	Mairead Claydon	A Member asked if the Risk Register could be presented to the Committee at every meeting.	Confirmed - the Internal Audit Annual Report, later in the agenda, includes a section on risk and includes the risk register and associated papers that were considered at the recent Strategy & Resources Committee meeting.	Completed

Agenda Item No: 7

Financial Reporting and Related Matters

To:	Audit and Accounts Committee
Meeting Date:	31 May 2022
From:	Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	N/A
Outcome:	The Committee is appraised of progress with the Statement of Accounts for the year ending 31 March 2021, and considers matters relating to the production of accounts for 2021/22.
Recommendation:	1. To note and comment on this report 2. To note the external auditor's draft Audit Results Report 3. Approve the accounting policies set out in Appendix A, including the two changes proposed to the current accounting policies set out in section 3.5.

Officer contact:
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Member contacts:
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1. Background

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

1.2 The Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use. The signing, approval and publication of the Accounts is set out in Section 9 of the Accounts and Audit Regulations 2015.

1.3 This Committee received an updated version of the statement of accounts in its 7th of March 2022 meeting, and delegated authority to the Chair of the committee and the Chief Finance Officer to sign the final Statement of Accounts on completion of the local audit.

1.4 This report provides a further update on the progress of the final Statement of Accounts, and related matters, including looking ahead to the production of 2021/22's accounts.

2. 2020/21 Statement of Accounts

2.1 The report to the 7th of March 2022 meeting of this Committee set out that the external audit of 2020/21's accounts was progressing well. Since that meeting most aspects of the audit have now been completed, with outstanding items listed below. However, a national issue around accounting for infrastructure assets has further delayed completion of our final Statement of Accounts.

2.2 Infrastructure Assets

2.2.1 These assets, which predominantly relate to roads and highways, are one of the few categories of Property, Plant & Equipment valued at depreciated historical cost, rather than at an assessment of their current value. Due to this basis of valuation, as well as the inalienable nature of the assets, accounting for infrastructure has not typically been an area of significant audit risk.

2.2.2 Under this method of valuing infrastructure assets, any replacements to infrastructure assets, such as making a repair to a road carriageway, need to be assessed to understand if any of the replaced components still have a carrying value that needs to be de-recognised.

2.2.2 Concerns were recently raised by a local authority auditor at another council that some authorities were not correctly applying component accounting requirements appropriately. In particular, there is a concern that in not correctly reporting and derecognising gross historical cost and accumulated depreciation (required in the CIPFA Code's implementation of IAS 16), these values in the balance sheet would continue to increase until they are materially overstated. This risk of material overstatement has caused a pause in the

completion of all local authority audits until accounting treatments can be assessed on an authority-by-authority basis, or further guidance is issued by CIPFA.

2.2.3 CIPFA has responded to this issue by commencing a task and finish group to review and propose changes to the CIPFA Code that might assist with resolution. It has issued a consultation on a temporary solution that should enable outstanding audits to be completed, ahead of a more permanent solution being developed.

2.2.4 In Cambridgeshire, this issue was identified during production of the 2017/18 accounts and therefore since then, the Council has applied an accounting treatment that is in line with the Code's current requirements. The change was also backdated to 2014/15, as this was the point at which records were readily available to undertake the necessary analysis and relevant calculations. This approach derecognises both the gross historical cost and the accumulated depreciation of the replaced component of the infrastructure asset. In doing so, the Council makes the assumption that the replaced component is fully depreciated (therefore the asset would have a carrying value of nil), and that its historical cost is the same as the cost of the replacement. This approach overcomes the lack of practical information about what specific part of an asset is being replaced, and what it previously cost.

2.2.5 The Council's current external auditors, EY, are comfortable with this approach; however, in order to be sure that gross book values of infrastructure assets have not been materially misstated in line with the current CIPFA Code of Practice, they believe it would be necessary for the Council to undertake further analysis and adjustment in relation to the period since International Financial Reporting Standards (IFRS) came into effect in 2010/11 up to 2013/14; the year before the Council made the first Prior Year Adjustment.

2.2.6 Part of the reasoning why the Council only made an adjustment back to 204/15 related to the nature of the readily available information that the Council held. A change in reporting requirements in that year meant that from 2014/15 onwards, information was held that enabled a retrospective analysis to be undertaken and applied; this was not possible for information held prior to 2014/15. Both the Council and EY have assessed the information available since 2014/15 to see if it is possible to use more recent information to make assumptions about the nature of the expenditure in prior years, but we have both concluded that there is no consistent trend that can be used.

2.2.7 CIPFA is currently consulting on the possibility for 2020/21 and 2021/22 to remove the requirement to report infrastructure assets on a gross basis, on the assumption that the net carrying value of infrastructure assets is likely to be correct. This would potentially resolve the issue for the Council and enable the accounts to be signed off. However, it is not likely to come into force until late June 2022, at the earliest.

2.3 City Deal

2.3.1 At its 7th of March meeting, this Committee was updated on the auditor's progress in reviewing treatment of the City Deal grant. In the draft statement of accounts, the Council recognised the full five years' worth of the current tranche of City Deal grant confirmed by government.

2.3.2 In the report to that Committee, the alternative accounting entries were shown should the conclusion be reached that only the first year of funding should be recognised, and members were able to comment on that alternative treatment

2.3.3 EY and the Council have now concluded on the relevant accounting treatment and have determined that the appropriate treatment is to recognise each year's individual allocation as a separate grant in the Comprehensive Income and Expenditure Statement. There has been no change to the Council's conclusion regarding conditions; no conditions exist regarding the receipt of the £40m (using the definition of 'conditions' required by the Code in relation to grants), therefore £40m of grant income has been recognised in 2020/21.

2.3.4 The alternative accounting entries have therefore been applied within the Council's accounts. As previously highlighted, this has had no impact on the funds or reserves available to the Council for deployment of services, or the Council's assessment of its basis of going concern.

2.3.5 There is one final area outstanding in relation to City Deal, regarding whether a Prior Year Adjustment is required in relation to receipt of City Deal funding in previous years. At the time of writing, EY have not yet concluded on their view of this, however, we are expecting to be able to provide an update on this at committee.

2.4 As of 23rd May, the only remaining items required to complete the audit (in addition to the above) are:

- Review and agreement of a newly created Inventory note in the Group Accounts
- Review of the final version of the Statement of Accounts
- Updated review of going concern and subsequent events, taking the assessment up to the date of authorisation (which will be dependent on the course of action taken with respect to infrastructure assets)

3. 2021/22 Statement of Accounts and Accounting Policies

3.1 In March 2021 the Government issued regulations that amended the deadlines for publication of draft and final accounts for the financial years ending 31 March 2021 and 31 March 2022. Therefore, as with the accounts for 2020/21, the date for publication of the draft accounts for 2021/22 is currently 31 July 2022, and the audit should be completed by 30 September.

3.2 The Council is confident that the draft accounts will once again be published in accordance with the timescales set out of the end of July.

3.3 The Council has received EY's draft resource allocation plan for conducting their audits of 2021/22's accounts, with the Council expected to be audited from mid-September to early-November. This means that, unless the government amends the deadline for completion of local audits, the Council will miss the national deadline for having a final, audited statement of accounts.

3.4 The Government has recently commenced a consultation on amended regulations that would extend the deadline for having completed, audited accounts to 30 November (rather than 30 September). The Council has responded to this consultation by stating that, while

we welcome the delay because it reflects the delays in auditor availability, without significant intervention by government, even that later date is very unlikely to be met by the majority of councils.

3.5 Accounting Policies

3.5.1 The Council's Statement of Accounts is produced based on a set of accounting policies that are adopted each year, which are listed within the accounts.

3.5.2 For the production of the Statement of Accounts for 2021/22, one amendment is proposed to an existing policy and one new policy is proposed.

3.5.3

Policy	Amendment
Property, Plant and Equipment – Measurement	Wording has been amended to reflect current practice to ensure carrying values are materially in-line with current values within the five-year rolling programme of valuations. "All assets are revalued via desktop valuation in year two and by indexation in years three to five. The index applied to each asset is based on changes in Building Cost Information Service (BCIS) forecasts and land value estimations since the previous year" This replaces: "the Council undertakes a carrying value assessment annually and adjusts for any material variances if required. This analysis involves a) a desktop valuation of assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that includes an assessment of when a depreciated replacement cost asset was last revalued and application of an index to it based on Building Cost Information Service (BCIS) forecasts and land value estimations for every year since the asset was last revalued"
Inventories	New disclosure of accounting policy: "Inventories are stated at the lower of cost and net realisable value. The cost of work in progress, which is included in the Group Accounts comprises, the acquisition cost of land, construction costs and professional fees (capitalised borrowing costs are removed as they are intragroup). Net realisable value is the estimated selling price in the ordinary course of business, less applicable, variable selling expenses. If cost falls below net realisable value, then an applicable impairment provision is recognised in the Comprehensive Income and Expenditure Statement."

3.4.4 The full set out accounting policies, including these amendments, is set out in Appendix A.

3.5 IFRS 16

3.5.1 International Financial Reporting Standard 16 amends the treatment of leases, specifically introducing a new 'Right of Use' asset that arise from leases, and a corresponding lease liability. The standard has been implemented to ensure that assets and liabilities arising from all leases, not just traditional finance leases, are reflected in an organisation's financial position.

3.5.2 Public sector adoption of this accounting standard was expected for the 2022/23 financial year. The complexities particularly of applying the standard to local authorities, combined with the existing stresses on the local authority auditing regime, has resulted in CIPFA delaying full implementation in the Code until the 2024/25 financial year, with an impact assessment published by the end of the financial year preceding that.

3.5.3 The Code defines a lease as "a contract, or part of a contract, that conveys the right to use an asset for a period of time". In local authorities, which provide a significant range of services, this definition will capture a high number of arrangements previously not recorded as leases.

3.5.4 The Council has a high-level plan for implementing this standard including the need to identify all arrangements covered by the Code's definition of a lease, to build organisational awareness of the changes to ensure the right data is collected, and to calculate asset and liability values for each arrangement.

3.5.5 The Council welcomes the delay in implementation as there are challenges to fully implementing the standard, particularly in terms of the volume of data gathering required, the availability of documentation for historic arrangements and the ongoing maintenance of records and valuations.

3.5.6 As we develop a more detailed implementation plan this Committee will be kept appraised of progress.

4. Alignment with corporate priorities

4.1 Communities at the heart of everything we do

There are no significant implications for this priority.

4.2 A good quality of life for everyone

There are no significant implications for this priority.

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

There are no significant implications for this priority.

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

There are no significant implications for this priority.

4.5 Protecting and caring for those who need us

There are no significant implications for this priority.

5. Significant Implications

5.1 Resource Implications
This report refers to the progress being made with the Statement of Accounts.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications
No significant implications

5.3 Statutory, Legal and Risk Implications
The publication of the Statement of Accounts is completed under relevant regulations and the statutory framework. Ongoing consultations that effect that framework have been mentioned within this report.

5.4 Equality and Diversity Implications
No significant implications

5.5 Engagement and Communications Implications
No significant implications

5.6 Localism and Local Member Involvement
No significant implications

5.7 Public Health Implications
No significant implications

5.8 Environment and Climate Change Implications on Priority Areas

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

5.8.2 Implication 2: Low carbon transport.
Neutral

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

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

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

5.8.6 Implication 6: Air Pollution.
Neutral

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

Neutral

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

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal Services? N/A

Have the equality and diversity implications been cleared by your Service Contact? N/A

Have any engagement and communication implications been cleared by Communications? N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A

Have any Public Health implications been cleared by Public Health? N/A

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? N/A

7. Source documents guidance

7.1 Accounts and Audit (Amendment) Regulations 2021

7.2 Urgent Infrastructure Assets Task and Finish Group | CIPFA

7.3 Draft statement of accounts considered at this Committee on 7th of March 2022

ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. 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 2021-22*, supported by *International Financial Reporting Standards (IFRS).* The accounts are prepared on a historical cost basis, i.e. expenditure is included on the basis of the price actually paid rather than any additional allowance being made for changes in the purchasing power of money, modified by the revaluation of certain categories of property, plant and equipment. The accounting policies have been consistently applied where appropriate.

BASIS OF ACCOUNTING

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

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

THE DE MINIMIS THRESHOLD

The de minimis threshold level has been set at £4,000 (this threshold has been used as a guideline across the Council, where it is sensible to refer to a de minimis in making accrual adjustments).

ACCRUALS OF INCOME AND EXPENDITURE

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

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

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on 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 £10,000, or revalued to less than £10,000 and all non-PFI vehicles and equipment are charged to the Comprehensive Income and Expenditure Statement.

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

Infrastructure Asset Additions and De-recognitions

Capital expenditure incurred on the enhancement of existing infrastructure assets will be added to the value of the asset included within the asset register. The Code stipulates that if a new component of an asset is recognised, then the carrying amount of a replaced or restored part of the asset should be derecognised. Consequently, a de-recognition of the existing asset will occur, writing out the value attributable to the asset that has been enhanced / replaced (including any associated depreciation). As such, the value derecognised will be determined by the cost of the replacement asset.

Measurement

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. To ensure that carrying values are kept in line with current values in the interim, all assets are revalued via desktop valuation in year two and by indexation in years three to five. The index applied to each asset is based on changes in Building Cost Information Service (BCIS) forecasts and land value estimations since the previous year.

Assets contained within Property, Plant and Equipment required to be measured at fair value are revalued every year. The effective date of revaluation for the rolling programme and all Surplus Assets is 30 November during the year in question, however as part of the carrying value assessment exercise, some assets are revalued again as at 31 March of the year in question and are potentially adjusted for indexation to 31 March.

Infrastructure has been included in the Balance Sheet at depreciated historical cost, whilst Community Assets, and Assets Under Construction have been included at historical cost. The cost therefore includes the original purchase price of the asset and the costs attributable to bringing the asset to a working condition for its intended use.

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

Land and Building assets and Vehicles, Plant, Furniture and Equipment assets have been included in the Balance Sheet at their current value. Operational Property, Plant and Equipment is valued using Existing Use Value whereas specialised assets are valued using Depreciated Replacement Cost. The valuation of the farms estate, included within the Land and Building figures, is based on a discounted cash flow of future rental income and capital receipts, which is a type of Existing Use Valuation. Assets identified as surplus to requirements are measured at fair value based on highest and best use. Assets that are subject to part disposals are revalued in the year of disposal.

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

Capitalisation of Borrowing Costs

Borrowing costs that are:

- Directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset;
- When it is probable that they will result in future economic benefits or service potential to the Council; and
- The costs can be measured reliably;

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

Where the Council borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Council shall apply a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs that are outstanding during the period.

The amount of borrowing costs capitalised shall not exceed the amount of borrowing costs incurred during the period.

The commencement of capitalisation begins when all of the following conditions are met:

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

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

Capitalisation will be suspended during periods in which active development is interrupted.

Depreciation

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

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

- Buildings (including Surplus Assets) – 5 to 60 years, in line with the Council's componentisation policy which specifies different useful economic lives according to the type and condition of the component;
- PFI schemes only: Vehicles, Plant, Furniture and Equipment– 3 to 26 years; (Vehicles, Plant, Furniture and Equipment outside of PFI schemes are not capitalised)
- Infrastructure – 40 years.

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

CAPITAL ACCOUNTING

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

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

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

The above accounts are not available to fund future expenditure.

CAPITAL RECEIPTS

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

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

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

CHARGES TO REVENUE FOR LONG-TERM ASSETS

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

- Depreciation attributable to the assets used by the relevant service (as per the Depreciation policy on page xxx);
- 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 xxx). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by the contribution in the General Fund Balance by an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

HERITAGE ASSETS

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

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

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

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

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

INVESTMENT PROPERTIES

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress which is included in the Group Accounts comprises, the acquisition cost of land, construction costs and professional fees (capitalised borrowing costs are removed as they are intragroup). Net realisable value is the estimated selling price in the ordinary course of business, less applicable, variable selling expenses. If cost falls below net realisable value, then an applicable impairment provision is recognised in the Comprehensive Income and Expenditure Statement.

FINANCIAL LIABILITIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument (e.g. Public Works Loan Board borrowing). Financial liabilities are initially measured at fair value and subsequently carried at their amortised cost. Annual charges to the

Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

FINANCIAL ASSETS

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable. The interest credited to the Comprehensive Income and Expenditure Statement for the loans is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the 'Financing and Investment Income and Expenditure' line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

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

GOVERNMENT GRANTS

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

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

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

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

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

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

COUNCIL TAX AND NON-DOMESTIC RATES

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

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

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

LONG-TERM CONTRACTS

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

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

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

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

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

- Current value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability calculated by applying the implicit interest rate in the lease to the opening lease liability for the year. This is debited to the 'Financing and investment income and expenditure' line;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the 'Financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement;
- Payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Life cycle replacement costs – this refers to the replacement of individual components within the PFI asset portfolio to ensure that the condition of the whole property meets the agreed standard throughout the life of the PFI contract. A proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

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

LEASES

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

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

Council as Lessee

Finance leases

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

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

Council as Lessor

Finance leases

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

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

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

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

Operating leases

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

CASH AND CASH EQUIVALENTS

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

BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

POST EMPLOYMENT BENEFITS

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

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

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

The Teachers' Pension Scheme

The arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

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

The Local Government Pension Scheme (LGPS)

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees;
- Liabilities are discounted to their value at current prices using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – market value
  - unquoted securities – professional estimate
  - unitised securities – closing bid price
  - property – market value;
- The change in the net pension liability is analysed into service cost and re-measurement components.

Service Cost elements comprise:

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

Re-measurements comprise:

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

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

RESERVES

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

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

- **Unusable reserves** – those that a council is not able to utilise to provide services. This category of reserves includes:
  - Reserves that hold unrealised gains and losses (the Revaluation Reserve), where amounts will only become available to provide services (or limit resources in the case of losses) once the gains / losses are realised as the assets are disposed of.
  - Adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards as adopted by the Code. The accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). Examples of this category of reserves are the Capital Adjustment Account, Pensions Reserve, and the Accumulated Absences Account.

DEBT REDEMPTION

The Council is required to make a provision for the repayment of debt in accordance with guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

A change in policy was introduced in 2015-16 for the proportion of the provision that relates to the historic debt liability that had accumulated to 31st March 2010. Up until 2014-15 this element of the provision was calculated using Option 1 of the Guidance, the "Regulatory Method", which based the calculation on 4% of the Capital Financing Requirement, amended for Adjustment A, on a reducing balance basis. From 2015-16 this debt liability will be provided for using an annuity calculation methodology, allowable under the DCLG Guidance.

Capital expenditure incurred from 2010-11 onwards will be subject to Minimum Revenue Provision (MRP) in the year after the asset has become operational. MRP will be provided for under Option 3 of the DCLG Guidance and will be based on the estimated useful life of the assets, using the equal annual instalment method.

Estimated life periods will be determined under delegated powers. To the extent that expenditures do not create an asset and are of a type that are subject to estimated life periods that are referred to in the guidance, these estimated life periods will generally be adopted by the Council. In view of the variety of types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

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

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

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

CONTINGENT LIABILITIES

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

VALUE ADDED TAX (VAT)

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

INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and / or joint ventures. The Council has involvement with a number of entities, and where the interests are not material the nature and value of the relationship is disclosed within the single entity accounts. In line with the code requirements on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Council. The income, expenditure, assets, liabilities, reserves and cash flows of these schools are recognised within the Council's single entity accounts rather than group accounts.

Cambridgeshire County Council
Audit Results Report- Addendum

Year ended 31 March 2021

23 May 2022

EY
Building a better working world

Audit and Accounts Committee
Cambridgeshire County Council

23 May 2022

Dear Audit and Accounts Committee Members:

2020/21 Audit Results Report

We are pleased to attach our Audit Results Report – Addendum which provides an update on our Provisional Audit Results Report presented to the Audit and Accounts Committee on the 25 February 2022 and the position following the conclusion of the outstanding audit procedures stated within that report.

We have now completed our audit of Cambridgeshire County Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit Planning Report.

The final conclusion procedures are:

- Outcome of two internal consultations in the relation to City Deal Grant funding and Infrastructure Assets;
- Review of the final version of the financial statements;
- Completion of subsequent events review to the date of the audit report;
- Receipt of the signed management representation letter and financial statements; and
- Whole of Government Accounts procedures

The satisfactory completion of the final conclusion procedures set out above, and depending on the Council's view on Infrastructure Asset approach, will dictate the type of audit report we issue on the Council's financial statements.

Yours faithfully

Mark Hodgson

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

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01 Executive Summary

02 Areas of Audit Focus

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Accounts Committee and management of Cambridgeshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, and management of Cambridgeshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of Cambridgeshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Areas of audit focus

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

Type of risk	Description	Findings and conclusion
Fraud risk	Management Override: Misstatements due to fraud or error	**No change from 25 February 2022 Provisional Audit Results Report:** We completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Fraud Risk	Management Override: Inappropriate Capitalisation of revenue expenditure	**No change from 25 February 2022 Provisional Audit Results Report:** We have completed our work in this area and have no matters to report.
Fraud Risk	Accounting adjustments made in the 'Movement in Reserves Statement'	**Update from 25 February 2022 Provisional Audit Results Report:** We have completed our work in this area and have no matters to report. This is included in Section 02.
Significant Risk	Accounting for Covid-19 related grant funding and Government Grants	**Update from 25 February 2022 Provisional Audit Results Report:** We have completed our work on the City Deal Grant and we have matters to report. This is included in Section 02.
Significant Risk	Valuation of Property, Plant and Equipment	**Update from 25 February 2022 Provisional Audit Results Report:** We have completed our work in this area and have matters to report. This is included in Section 02.
New Significant Risk	Infrastructure derecognition	**Update from 25 February 2022 Provisional Audit Results Report:** An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned in line with the requirements of the Code of Audit Practice. This matter is currently under consideration by CIPFA. We have insufficient evidence to support an unqualified audit opinion in respect of Infrastructure Assets. This situation would currently lead us to modify our audit report. The Council may wish to wait for the outcome of the CIPFA consultation process and any adaptations to the Code of Practice that result, as this may change the reporting requirements and hence the need for additional appropriate audit evidence.

Executive Summary

Areas of audit focus - continued

Type of risk	Description	Findings and conclusion
Inherent Risk	Accounting for schools that convert to 'Academy' status	**No change from 25 February 2022 Provisional Audit Results Report:** We have completed our work in this area and have no matters to report.
Inherent Risk	Pensions Valuations and disclosures	**No change from 25 February 2022 Provisional Audit Results Report:** We completed our work in this area and have no matters to report.
Inherent Risk	Private Finance Initiative	**No change from 25 February 2022 Provisional Audit Results Report:** We completed our work in this area and have no matters to report.
Inherent Risk	Group Consolidation	**Update from 25 February 2022 Provisional Audit Results Report:** We have completed our work in this area and have matters to report. This is included in Section 02.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee.

02 Areas of Audit Focus

Significant risks – continued

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

What is the risk?

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

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

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

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

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

We focused on the Council's accounting adjustments made in the 'Movement in Reserves Statement' that could result in the misstatement of Cost of Services reported in the Comprehensive Income and Expenditure Statement. To address this risk we:

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

What are our conclusions?

- No issues were identified with the Council's REFCUS entries and sample testing of REFCUS did not identify any issues.
- Our data analytics work did not identify any inappropriate journal adjustments made in the movement in reserve statement.

UPDATE FROM 25 FEBRUARY 2022 PROVISIONAL AUDIT RESULTS REPORT

- We have completed our testing of the entries in the Movement in Reserves Statement and the Council's application of the Minimum Revenue Provision policy and have not identified any matters to bring to your attention.

Significant risk – continued

Accounting for Grants and Covid-19 related Government grants – City Deal

What is the risk?

City Deal Grant

In 2020/21 Greater Cambridge Partnership were awarded the next tranche of funding for the City Deal. This amounts to £200 million over 5 years. Cambridgeshire County Council, as lead authority, has recognised the full £200 million up front.

The risk is that the grant has been accounted for inappropriately.

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

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

- Reviewing Management's rationale for the accounting treatment applied, including the external reports they have had commissioned in regards to the recoverability of the receivable and the accounting treatment they have applied;
- Considering the approach adopted against the CIPFA Code of Practice; and
- Consulting internally with our Financial Reporting Group and other EY Technical Experts.

What are our conclusions?

UPDATE FROM 25 FEBRUARY 2022 PROVISIONAL AUDIT RESULTS REPORT

After significant consideration of the Council's rationale for the accounting treatment of the City Deal funding within the draft financial statements and review of the supporting working papers, together with internal consultation with our Financial Reporting Group about the basis of the grant funding and the primacy of IAS 20 – Accounting for Government Grants, over the CIPFA Code of Practice, we have concluded that the grant should be accounted for as 5 individual grants, received on an annual basis, over the 5 year life of the City Deal funding agreement.

The key judgements behind this conclusion were:

- We concur with Management's conclusion that in substance the Council does have control of the City Deal grant and should recognise the grant funding.
- There was not sufficient certainty within the grant funding notification agreement, or enforceability of the agreement, to allow recognition of the full £200 million of the agreement in Year 1 and the associated asset (Central Government Debtor) within the 2020/21 financial statements.
- That when broken down, the City Deal agreement was in fact 5 annual grants of £40 million, determined on an annual basis by Government within the overall 5 year funding agreement settlement, and therefore should be recognised in that manner. The initial grant funding notification was more confirmation of a future funding stream across a 5 year period by Government – akin to a Bank Loan facility that has the potential to be drawn against.
- Whilst, an aggressive accounting policy had been adopted for the initial accounting treatment, there was no indication of fraudulent mis-reporting or bias by Management.

Areas of Audit Focus

Significant risk – continued

Accounting for Grants and Covid-19 related Government grants – City Deal (Continued)

What are our conclusions?

UPDATE FROM 25 FEBRUARY 2022 PROVISIONAL AUDIT RESULTS REPORT

Management have agreed to this change in accounting treatment and have updated the financial statements to reflect this along with note 5 Critical Judgements made in applying accounting policies.

Section 3 sets out the adjustments made to the financial statements.

We are currently considering and consulting on the requirement for a prior year adjustment under IAS 8 for the previous City Deal, taking into account both quantitative and qualitative materiality.

Significant risk – continued

Valuation of Property, Plant & Equipment and Investment Properties

What is the risk?

The external valuer will apply a number of complex assumptions and judgements assess the Councils assets to determine their value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and changes to useful lives.

As the Council's asset base is material, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. Our audit procedures in 2019/20 identified a number of material audit differences in regards to the work of the external valuer. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

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

- Considered the work performed by the Council's valuer, including the adequacy of scoping the work, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within the appropriate time frame and any changes communicated to the valuer;
- Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

- We did not identify any issues with the Council's valuer, their scoping of work, professional capabilities or results of their valuation procedures.
- Our testing of assets not subject to valuation in 2020/21 did not identify any material differences.
- Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.
- No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.
- We have identified a net £2.169 million difference between the valuer's report and the Statement of Accounts across a limited number of assets. We understand that this was due to the timing of when certain asset valuations were received by the Council. The Council's accounts are overstated by this amount. Management have chosen not to adjust for this difference.

(Continued over page)

Significant risk – continued

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

What are our conclusions?

UPDATE FROM 25 FEBRUARY 2022 PROVISIONAL AUDIT RESULTS REPORT

- We have completed our sample testing of key asset information used in the valuations, specifically that used in calculating the obsolescence factor in assets valued under Depreciated Replacement Cost (DRC).

  We have identified that the Council does not have a policy in place for estimated useful lives in relation to assets valued under DRC which feed the obsolescence factor used in the calculation of these asset values.

  Recommendation: The Council should prepare and adopt a policy for the useful life of DRC assets to enable obsolescence factors to be considered in the valuation of that class of assets.

- We identified one asset, Shire Hall Car Park, that had been revalued separately. However, as in the previous year, the valuation of the Shire Hall building used a comparable market rate that would include car parking within the valuation and as such the value of the car park was double counted and the Shire Hall building valuation was overstated. Management have agreed to adjust the valuation of the asset. See section 3 for more details.

- We did not identify any further matters to bring to your attention.

Significant risks – continued

Derecognition of Infrastructure assets upon subsequent expenditure / replacement

New Risk

What is the risk?

An issue has been identified in recent months via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part / component has been replaced or decommissioned. This matter is currently under consideration by CIPFA.

Asset registers do not tend to record infrastructure capital expenditure with sufficient detail and geographical specifics to enable identification of prior cost of replaced parts/components and related accumulated depreciation. So, it is challenging to identify the cost and accumulated depreciation balances that need to be derecognised.

If parts/components have not been derecognised when replaced or decommissioned:

- For assets that have been fully depreciated, the gross cost of the asset and accumulated depreciation will be overstated in the Property, Plant and Equipment note to the Balance Sheet. This will be a matching error, so will not impact on the Net Book Value (NBV) reported in the Balance Sheet.
- For assets replaced or decommissioned ahead of their useful economic life (UEL), i.e., the asset is not fully depreciated and has a positive Net Book Value at year end, the error will also impact the Balance Sheet, where asset values will be overstated.

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

We have identified a significant risk of misstatement that could affect the Balance Sheet. We consider the risk applies to the completeness and existence of infrastructure assets within the Council's Balance Sheet. To address this risk we:

- Reviewed Management's approach to derecognising infrastructure assets against the CIPFA Code of Practice requirements;
- Reviewed the asset register for the level of detail held to enable the correct accounting treatment;
- Tested the in-year derecognition to ensure there is a process in place for identifying replacement assets, and derecognising the previously recognised asset; and
- Undertook existence testing of Infrastructure Assets at the Balance Sheet date.

What are our conclusions?

In 2017/18 the Council made a Prior Year Adjustment, under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, to ensure the accounting for the derecognition of Infrastructure Assets was in line with the CIPFA Code of Practice. This Prior Year Adjustment corrected the accounting treatment back to the 2014/15 financial year (31 March 2015). The Council did not go back further, to 2010/11 when International Financial Reporting Standard (IFRS) was introduced, as it did not have sufficiently robust accounting records to do so.

Our testing confirmed that the level of detail held within the asset register was sufficient, that in-year derecognition was in line with Council's approach and that there were no issues identified from the existence testing procedures performed.

(Continued on next page)

Significant risks – continued

Derecognition of Infrastructure assets upon subsequent expenditure / replacement

New Risk (Continued)

What are our conclusions?

Based on this fact pattern we do not have sufficient appropriate evidence that the opening Infrastructure Asset balance is materially correct (Gross Book Value and Accumulated Depreciation) under the reporting requirements of the CIPFA Code of Practice, as there is insufficient evidence to conclude that the Code requirements were properly adhered to for the period between 2010/11 to 2013/14.

This would lead us to issue a 'limitation of scope' modified audit report. The limitation of scope would be in relation to the opening Infrastructure Asset balance at the 1 April 2020, for the reasons set out above.

However, CIPFA are currently consulting on a Code of Practice adaptation in respect of Infrastructure Asset accounting, given the nature and impact of the current Code reporting requirements. It is expected that any Code adaptation would not become extant until late June 2022, but would be retrospectively applicable to the 2020/21 financial year.

The Council may therefore wish to wait for the outcome of the CIPFA Code consultation and any adaptations to said Code, as this may address the issue leading to the 'limitation of scope' modified audit report.

Other Areas of Audit Focus – continued

Group Consolidation

What is the risk?

The Council has previously incorporated 'This Land Limited', a company, with the Council as the sole owner. Activity is at a level considered material, which requires the Council to prepare group accounts.

We identify this as an inherent risk as this can be a complex area of accounting requiring 'This Land Limited' to be consolidated with the Council's accounts to create the Group Accounts.

There have been a number of issues with the consolidation in the previous period, and we understand that 'This Land Limited' is moving to a coterminous year end for 2020/21, so we need to ensure that the consolidation reflects this.

We are reliant on assurances from the auditor of 'This Land Limited' (RSM).

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

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

- We have reviewed the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Cambridgeshire County Council Group;
- Scoped the audit requirements for 'This Land Limited' based on their significance to the group accounts. Liaised with the external auditor of 'This Land Limited' (RSM) and issued group instructions that detailed the required audit procedures in order to provide us with assurance for the opinion we will issue on the group accounts; and
- Ensured the appropriate consolidation procedures were applied when preparing the Council's group accounts and appropriate disclosures were made within the group accounts.

What are our conclusions?

We identified that the Council did not have an accounting policy in regards to inventory within the single entity or group accounts. Management have agreed to add this along with a note in the group accounts due to the value of inventory held in the group accounts.

We identified that the group accounts needed to be updated after the audit of the subsidiary accounts this was down to the timing of the information provided at the time of preparing the draft accounts. See section 3 of the accounts for more details.

We have no other matters to bring to your attention.

Areas of Audit Focus

Going concern

UPDATE FROM 25 FEBRUARY 2022 PROVISIONAL AUDIT RESULTS REPORT

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment and the going concern disclosure Note 4 in the statement of accounts. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period. It has also considered the Council and subsidiary company (This Land)'s cash flow forecast.

We focused on management's assessment of the going concern assumptions in preparing the Council and group's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Council and group to continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the Council's and Groups Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Council and the subsidiary company.
- Considering key assumptions applied in the Council's and Group's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.
Management have used the basis of their assessment to include a disclosure note (Note 4) within the statement of accounts. As part of our audit procedures we requested that management include additional disclosure in relation to the liquidity of the Council, the period the going concern assessment covers, a statement with regard to the minimum reserve levels and an overall conclusion.

The Council will need to update its disclosure to cover the 12 month period from the date of authorisation of the financial Statements. We will then need an updated Management Assessment and perform concluding procedures over that assessment and updated disclosure. The timing of this will be dependent on the resolution of the Infrastructure Asset issue set out on page 14 of this report.

03 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight misstatements greater than £0.934 million which have been corrected by management that were identified during the course of our audit.

Update from 25 February 2022 Provisional Audit Results Report:

1) City Deal Grant Funding

Removal of £160 million of Income and amounts receivable (debtor) from the financial statements, to reflect that the funding is 5 one year grants of £40 million.

Dr Comprehensive Income & Expenditure Statement (CIES) – Taxation and non specific grant income - £160 million
Cr Balance Sheet – Long term debtors - £120 million
Cr Balance Sheet – Short term debtors - £40 million

Cr Movement In Reserves Statement – Other adjustments Capital Grants recognised in year but not applied - £160 million
Dr Useable Reserves – Capital Grants and Contributions Unapplied - £160 million

This also impacts Note 9 - Expenditure and Income analysed by nature, Note 12 - Taxation and non specific grant income and Note 33 - Grant Income.

The Council have also updated Note 3 - Critical Judgements in Applying Accounting Policies to set out their assumptions and judgements in applying the revised City Deal accounting treatment.

2) Property, Plant & Equipment valuation

During the financial year 2020/21 the Council revalued the Shire Hall building and adjacent car park separately. The valuation of the Shire Hall building used a comparable market rate that would include car parking and as such the value of the building was overstated. This issue also occurred in 2019/20, where we reported a similar audit difference in respect of this asset:
Dr Comprehensive Income and Expenditure Statement - £1.97 million
Cr Balance Sheet – Property, Plant and Equipment – Land and Buildings - £1.97 million

Audit Differences

Summary of adjusted differences continued:

3) Group Accounts

Adjustments to the Group Balance Sheet, Group Comprehensive Income & Expenditure Statement and Group Cashflow as a result of the subsidiary audit where an understatement of Inventory and an overstatement in Reserves:

Group Balance Sheet impact
Dr Balance Sheet - Inventory - £3.8 million
Cr Balance Sheet - Short Term Debtors - £0.18 million
Cr Balance Sheet - Short Term Creditors - £0.16 million
Cr Balance Sheet - Useable Reserves - £3.5 million

Group Comprehensive Income and Expenditure Statement impact
Cr Comprehensive Income and Expenditure Statement impact - Financing and Investment Income £3.6 million
Dr Comprehensive Income and Expenditure Statement impact - Cost of services – Commercial - £3.6 million

Group Cashflow impact

Operating cashflows
Dr Net Cost of Services - £3.6 million
Cr Impairment and downward revaluation - £6.7 million
Dr Inventory movement - £17.3 million

Investing cashflows
Cr Other receipts from investing activities - £7.4 million

4) A provision for Adult Social Care had been incorrectly coded to provisions instead of offsetting debit balances in Creditors (Short Term Payable). This had the impact of overstating provisions and understating creditors:

Dr Provisions - £1.5 million
Cr Short Term Payables - £1.5 million

Audit Differences

Summary of adjusted differences continued:

5) Debtors (Receivables) and Creditors (Payables) were both overstated due to Teacher's Pension Debtor not being reduced by income received from the relevant schools payroll providers:
Dr Short term Payables - £2.8 million
Cr Short term Receivables - £2.8 million

6) Debtors (Receivables) and Creditors (Payables) have both been overstated as a result of a payment to School Nurseries in respect of the summer term which was classified as a Payment in Advance, but was not actually paid until 2021/22. Therefore, this was incorrectly included in the Balance Sheet.
Dr Short term Payables - £6.2 million
Cr Short term Receivables - £6.2 million

A number of other disclosure differences have been identified and raised to Management. All misstatements are to be adjusted. We do not deem any to be so significant as to merit reporting to you.

Summary of Unadjusted differences

We have identified two further unadjusted misstatements.

1) A debit balance has accumulated over a three year period on the Teacher's Pensions codes within Debtors (Receivables) , since the implementation of ERP Gold. This is due to a longstanding system miscoding issue with the Teacher's Pensions Contributions from school payroll providers. The Council have been unable to reconcile these entries due to the volume. The Council believe this balance is made up of amounts owed to them by schools, amounts owed by the Teacher's Pension Scheme due to overpayments made, and timing differences. However, Management have been unable to complete the reconciliation and have it available for audit. We have therefore recorded an unadjusted audit difference, leading to an overstatement of the two specific financial statement line items, as set out below:

Dr Comprehensive Income & Expenditure Statement – People and Communities - £1.17 million
Cr Short Term Receivables - £1.17 million

2) We have identified within Creditors (Payables) a debit balance of £2.4 million relating to a historic HMRC account code that was migrated when ERP Gold was introduced in 2018/19. It should have been cleared by a HMRC creditor code but this didn't happen and the debit balance has remained. A reconciliation of the migrated balances is required and the Council are unable to this and provide this for audit at this point.

Cr Short Term Payables - £2.4 million
Dr Comprehensive Income and Expenditure Statement - £2.4 million

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

04 Appendices

Audit Differences – reported within our Audit Results Report dated - 25 February 2022

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

Summary of adjusted differences

We highlight misstatements greater than £0.935 million which have been corrected by management that were identified during the audit.

- Net Pension Liability – a revised IAS19 actuary report was received that changed the value of the pension plan assets. This had the result of reducing the net pension liability by £7.5 million. The adjustment was made due to new information being provided by the actuary after the draft statement of accounts had been prepared.
- Grant income credited to net cost of services – we identified one grant of £1.18 million that had been incorrectly recorded gross in the accounts.
- Short term provisions – we identified one provision in relation to unpaid social care balances of £1.53 million which had been incorrectly classified and should have been set against debit balances within accounts payable.

Disclosure Differences

- Disclosure error in respect of Note 15 Officer's Remuneration and Exit Packages – number of other departures reduced from 47 to 39, total number of exit packages reduced from 84 to 76 and total cost of exit packages increased from £0.819 million to £0.943 million.
- Disclosure error in respect of Note 36 Private Finance Initiatives and similar contracts – Building schools for the Future amounts were doubled counted in the band 16-20 years element of the projected future payments table. Cost of services to be reduced by £1.281 million and capital replacement to be reduced by £0.495 million.

A number of other disclosure differences have been identified and raised to Management. All misstatements are to be adjusted. We do not deem any to be so significant as to merit reporting to you.

Summary of Unadjusted differences

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

1. Property, Plant and Equipment – we identified a difference between the valuers report and the value of Land and Buildings for a limited number of assets disclosed in the Statement of Accounts. The Balance Sheet is overstated by £2.169 million (net amount). We understand that the Council's External Valuer provide updated valuations after the draft Statement of Accounts had been prepared. Management have chosen not to adjust for this difference.
2. Provisions – we identified a difference between the Insurance Broker's report and the value of the insurance provision in the statement of accounts. The Provisions balance in the balance sheet is understated by £0.967 million. We understand that this difference arose due to the Insurance Broker's report being received after the statement of accounts were drafter. Management have chosen not to adjust for this difference.

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

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ED None

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Agenda Item No: 9

Major Infrastructure Delivery

To:	Audit and Accounts Committee
Date:	31st May 2022
From:	Steve Cox, Executive Director Place & Economy
Electoral Division:	All
Outcome:	To provide an update of the improvements in the Major Infrastructure and Delivery service (now the Project Delivery service)
Recommendations:	a) note and comment on progress to date; b) delegate the final matters for closeout to the Executive Director Place & Economy; c) note that a follow up audit of the implementation of the actions will be carried in Q3 of this year;

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Tel: 01223 706398

1. Background

1.1 Cambridgeshire County Council (the Council) has continued to be successful in attracting funding for long standing and ambitious projects to support sustainable growth. This has created a significant forward programme of capital projects.

1.2 During the Summer 2020 an internal review of Highway Capital Delivery was commissioned to understand the effectiveness of capital programme management and the overall control environment. This included a detailed investigation of four major infrastructure projects through which the audit report identified common themes where project management and delivery could be improved.

1.3 Additional projects were investigated by the service in late 2020 and early 2021, to identify any recurring themes on schemes wider than those included in the initial audits.

1.4 The reviews highlighted the significant increase in the programme of work being delivered across the Major Infrastructure and Delivery service, and the scale of the forward programme and multimillion pound projects including new roads, bridges, road safety schemes and ambitious schemes to transform how people travel. The projects varied from large high value single projects with engineering and technical complexities, to programmes of smaller more simple projects.

1.5 The review highlighted the areas for improvement, including the importance of developing the skill base of teams involved in project delivery, supporting staff to effectively manage scheme complexities.

1.6 As part of the review a new Interim Group Manager for Major Infrastructure and Delivery was appointed in October 2020 being a qualified civil engineer with significant experience of programme and major project delivery. The Group Manager provided direct expertise in leading the programme of major projects, including developing project teams and resources in light of new and growing demands and funding commitments. This included the implementation of Project and Programme Boards across all projects to ensure visibility and accountability, ensuring consistent processes and governance were adopted.

1.7 In October 2020 a task and finish Project Assurance Group (PAG) was formed, led by the Group Manager. The PAG brought together permanent staff, interims and consultant resources with the relevant expertise relating to project management, forms of contract, procurement, financial control and audit. The group met fortnightly from its inception, initially identifying areas for improvement relating to all aspects of project delivery and control and developing a system to manage and track improvements aligned with the audit recommendations. The outputs of this group are detailed later in the report.

1.8 An update on progress was reported to this committee through the Internal Audit and Risk Management report dated 31st May 2021 which stated, “following a review last summer of four significant Major Infrastructure and Delivery projects and the associated governance framework, Internal Audit is providing ongoing support to the implementation of the new Major Infrastructure and Delivery, and wider Place and Economy, governance framework and supporting procedures”.

1.9 During the Summer 2021 a restructuring of the Place and Economy Directorate led to the introduction of a Director of Highways and Transport solely dedicated to Cambridgeshire County Council. Three new assistant director roles were also introduced, including an Assistant Director Project Delivery position dedicated to the delivery of projects, and oversight of the Highways Major Contracts team. This role has been covered to date by the former Interim Group Manager of Major Infrastructure and Delivery, however further to a successful recruitment campaign a permanent appointment will take up the role from July 2022, and will continue to build on the improvements and development of the Project Delivery service that have taken place since the audits in Summer 2020.

2. Main Issues

2.1 The review of project design, development, delivery and control through the Project Assurance Group identified three key themes for improvement in early 2021:

a) strengthen systems and processes to provide an adequate control environment;
b) supporting change in managing successful teams and projects;
c) project reporting and risk management;

A summary of the requirements and progress to date is provided in the next three sections of the report.

Systems and Processes

2.2 The review highlighted the key areas listed below:

2.3 Project Governance – A review of project governance demonstrated a lack of consistency in governance, accountability and decision making across projects. A governance organogram was developed (shown in Appendix A), supported by a 'Governance for Infrastructure Projects' user guide. Both are based on the established principles of Prince 2 project management and designed to ensure a consistent and compliant control environment, where all individuals involved with delivery of major projects understand their responsibility, accountability and delegated authority relating to delivery of infrastructure projects.

2.4 Project Gateway Framework – A project gateway process and an accompanying user guide for project managers has been developed and rolled out across projects in the Project Delivery service area. All projects are now required to satisfy a series of gateways ensuring effective project management based on Prince 2 project management, providing transparency and a record of decision making within the project as well as oversight for managers and support services such as finance, procurement and commissioning. The gateway process is summarised in Appendix A showing the eight gateways from project inception to delivery.

2.5 Project Online Web App (POWA) – Project Delivery are early adopters of these IT programme management systems, as part of a wider corporate IT programme roll out. The IT system is designed for project and programme management, to improve

programming, delivery, risk management, cost control, resource planning and reporting. The projects within the Project Delivery service are now operating within POWA, providing a consistent, transparent and compliant process for project management and delivery. The system is also cloud based with shared documents to support, providing greater resilience. The standardised system also allows resources and staff to move seamlessly between projects, to deal with peaks in demand.

2.6 Financial Control – Where necessary projects were re-baselined and/or re-scoped to ensure all project budgets were realistic to meet the agreed project outcomes. A process and project costing template has been implemented adopting industry best practice for applying costed risk, optimism bias, inflation and contingency to ensure initial project estimates are realistic. The maturity and certainty of costs is refined as the project progresses through the gateway process, and the expectation of all projects currently within Project Delivery is that they will be managed and delivered within their project budget. The service has benefitted from commercial review and support across all its projects. Recent inflationary pressures running at over ten percent since the Ukraine conflict are a challenge for all involved in delivering new infrastructure, and these cost risks are being managed and mitigated as far as possible within the service, as elsewhere across the Council.

2.7 Procurement & Contract Management – Prior to the audit the Term Service Contract with Milestone had become the preferred route for design and delivery of most major projects due to ease of access and familiarity. Following the audit and subsequent reviews, further engagement through PAG was undertaken with the Council's procurement and contract experts. The procurement and contract leads are also regular attendees at Programme and Project Boards, to ensure projects have a clear and appropriate procurement route and commissioning process, from the outset. Further decisions and appropriate time for procurement and commissioning choices are designed into the Project Gateway Framework process. The wide range of procurement choices available to the Council for the delivery of infrastructure projects are shown in Appendix B. This process has introduced the opportunity for a broader range of procurement solutions, with a greater number of projects now taking advantage of the Joint Professional Services and Eastern Highways Alliance Frameworks, in addition to the Term Service Contract. There has also been some price benchmarking across projects, to ensure works commissioned from the various routes delivers value for money.

Supporting change- "Managing Successful Teams and Projects"

2.8 From the outset the PAG, working closely with Council Learning and Development and Human Resources colleagues, identified the nature and extent of change required within the workforce to ensure effective, compliant and timely delivery of projects.

2.9 In response, a change programme was developed during Winter 2020/21 titled "Managing Successful Teams and Projects". The training programme was led by the Executive Director Place & Economy who undertook an introductory session for each

cohort, explaining the importance of the training programme from the outset. The programme included one to one coaching over eight weeks, as well as the delivery of five Training Modules delivered weekly listed below:

a) Module 1 Governance & Project Gateway Frameworks
b) Module 2 Power Programme Management IT System
c) Module 3 Financial Control, Processes & Accountability
d) Module 4 Commissioning, Procurement & Contract Management
e) Module 5 Managing Teams with Resilient Agility

2.10 Council management staff involved in delivery of infrastructure projects across Project Delivery, Highways & Transport and wider across the Place and Economy Directorate went through the programme in a series of seven cohorts that concluded in November 2021. Each cohort had a sponsor from the Place and Economy Leadership Team, to provide shared visibility of the programme and ensure buy in at all levels within the directorate. The training programme provided a feedback mechanism, providing the opportunity to continually improve the content and delivery of the programme over the seven cohorts. This represented a major investment in time and resources for the directorate.

2.11 A streamline version (without coaching and module 5) was designed and delivered to interims and consultants working across Project Delivery, to ensure they also fully understood and were compliant with the improved and emerging requirements of project delivery and the control environment.

2.12 Further cohorts are proposed for 2022 to include newly appointed Council staff and rolling out Modules 1-4 of the programme to members of staff that are not managers.

2.13 Due to challenges in permanent recruitment and a high reliance on interim staff and consultants, the service has committed to develop a “Grow our Own” programme aligned with the Council’s apprenticeship programme. Through this the Council will create posts to recruit applicants who show potential to develop, such as local school and college leavers, graduates, mature students and those seeking a change in career. Supported by the Apprenticeship Levy, the programme will enable apprentices and graduates to develop the appropriate skills, knowledge and experience through on-the-job training and off-the job formal learning, to gain a nationally recognised qualifications, targeted to meet areas of challenge within the service.

Project reporting and risk management

2.14 As provided in the Governance Organogram shown in Appendix A, the control environment requires that Project and Programme Boards seek approval and report key issues to finance, corporate Directors and committees. These governance arrangements have been universally adopted for all projects delivered by the Project Delivery service.

2.15 There are eight gateways identified in a project lifecycle. To enable a balance between timely and efficient delivery of projects with appropriate Member control and oversight, three gateways were identified as critical points to obtain committee approval. The three gateways listed below were approved at the Highways and Transport Committee in March 2021, deemed to be the appropriate points for Members to make decisions to proceed to the subsequent gateway, providing an appropriate balance for efficient and timely project delivery and effective control and project oversight:

a) Gateway 2- Commence Consultation
b) Gateway 4- Approve the Preliminary Design
c) Gateway 6- Allow Delivery and Construction

2.16 A Project Delivery control environment has been implemented to capture and record project risks relating to: design, land, budget, programme, procurement and delivery. The projects are also given an overall project status of High Risk (H), Medium Risk (M) and Low Risk (L). The criteria for the risk rating of projects is proposed as:

a) Low Risk (L) - no or minor issues being manged under existing project resources and controls
b) Medium Risk (M) - a risk that is being managed under existing project controls but is not considered to risk the overall project in terms of programme and/or budget
c) High Risk (H) - a risk that has the potential to put the project programme and/or project budget at risk or the project failing to deliver its agreed and expected delivery outcomes. Intervention and mitigation will be underway by the respective Project Team to reduce the risk and re-align the project to programme and cost or re-baseline the project where this is not possible.

The Project Delivery Control Environment Summary for all programmes and projects being delivered within the service is provided in Appendix C.

2.17 The process of identifying and capturing risks within the Project Delivery service, and ensuring appropriate intervention, mitigation and escalation is currently captured from a combination of the Programme Management Office, Project Managers Highlight reports to Project and Programme Boards, outputs from the POWA programme management IT system and oversight from Team Leaders working closely with the Assistant Director Project Delivery.

2.18 The Programme Management Office provide support and guidance relating to all aspects of the project and programme management including POWA, programme, risk, cost management and design reviews to ensure compliance with the control environment and to support projects meeting their agreed outcomes.

2.19 The Programme Management Office has developed the following documents, guides and processes to promote best practices and consistent procedures relating to all aspects of project and programme management.

a) Project and Programme Governance protocols

b) Programme and Project Management Framework
c) Gateway Framework User Guide
d) Programme Management Office Toolkit
e) Risk Management Guidance Manual
f) Cost and Commercial Management Guidance Manual

2.20 Technical staff in the Project Management Office, under a newly created Team Leader position, has delivered continuity and resilience in the service, and continues to develop a centre of project excellence that can be drawn upon and utilised by all staff involved with project delivery.

2.21 Appendix C provides a summary, and short narrative of the 45 projects and programmes currently being delivered with the Project Delivery service. The projects are at various stages from business case development to construction and closeout. The output of this table at Appendix C is captured in the visual chart at Appendix D.

2.22 Appendix D demonstrates the significant and sustained improvement for projects and programmes within the new control environment. As well as the sustained reduction in projects marked with a High Risk status over the last 18 months, the number of projects along with their value has increased significantly since the audits were undertaken. At the time of writing the report there were 45 projects that are being managed within new the control environment with a total value of £163M.

2.23 Aligned with further development of POWA programme management IT system, the Project Highlight Reports and risk management are evolving to be visible on a “real time” basis by all those involved with project delivery through Power Bi Premium which the Project Management Office are developing.

Audit Compliance and Matters for Closeout

2.24 Appendix E captures the detailed work of the Project Assurance Group since October 2021 in the form of a tracker. The spreadsheet was developed and reviewed regularly in consultation with the Audit Team, to provide assurance that the “Agreed Actions” (agreed with the Audit Team in 2021) had been satisfactorily addressed, supported by evidence.

2.25 The RAG status and notes demonstrate the vast majority of actions have been satisfactorily addressed (coloured green), with agreed mitigation implemented. There are no remaining actions highlighted red, and the few remaining actions remaining are highlighted amber summarised as:

a) Achieve full compliance of the Project Gateway Framework within POWA of all Project Managers;
b) Communicate to Members, in addition to the Highways and Transport committee Members (already undertaken) the new processes and procedures that have been introduced within the service relating to the control environment and decision-making processes associated with delivering infrastructure projects;

c) Progress challenges relating to recruiting and training members of staff in the Project Delivery service;
d) Hard wire all financial virement and escalation processes established in Project and Programme Boards, along with the development of POWA for additional assurance;
e) Develop a performance reporting process to benchmark design work across the various design organisations in consultation with the Highways Contracts and Commissioning Team;
f) Assess whether external expert commercial and contract support on some major high value projects, such as the “NEC Project Manager” role for major contracts, can be developed and delivered by Council employees rather than consultants.

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Way Forward

2.26 As detailed in the report, improvement and further development will remain ongoing as part of continual improvement towards service excellence in all aspects of project and programme management. It is proposed the matters remaining to be closed out identified as A-F above, are delegated to the Director of Place and Economy to ensure satisfactory and timely close out.

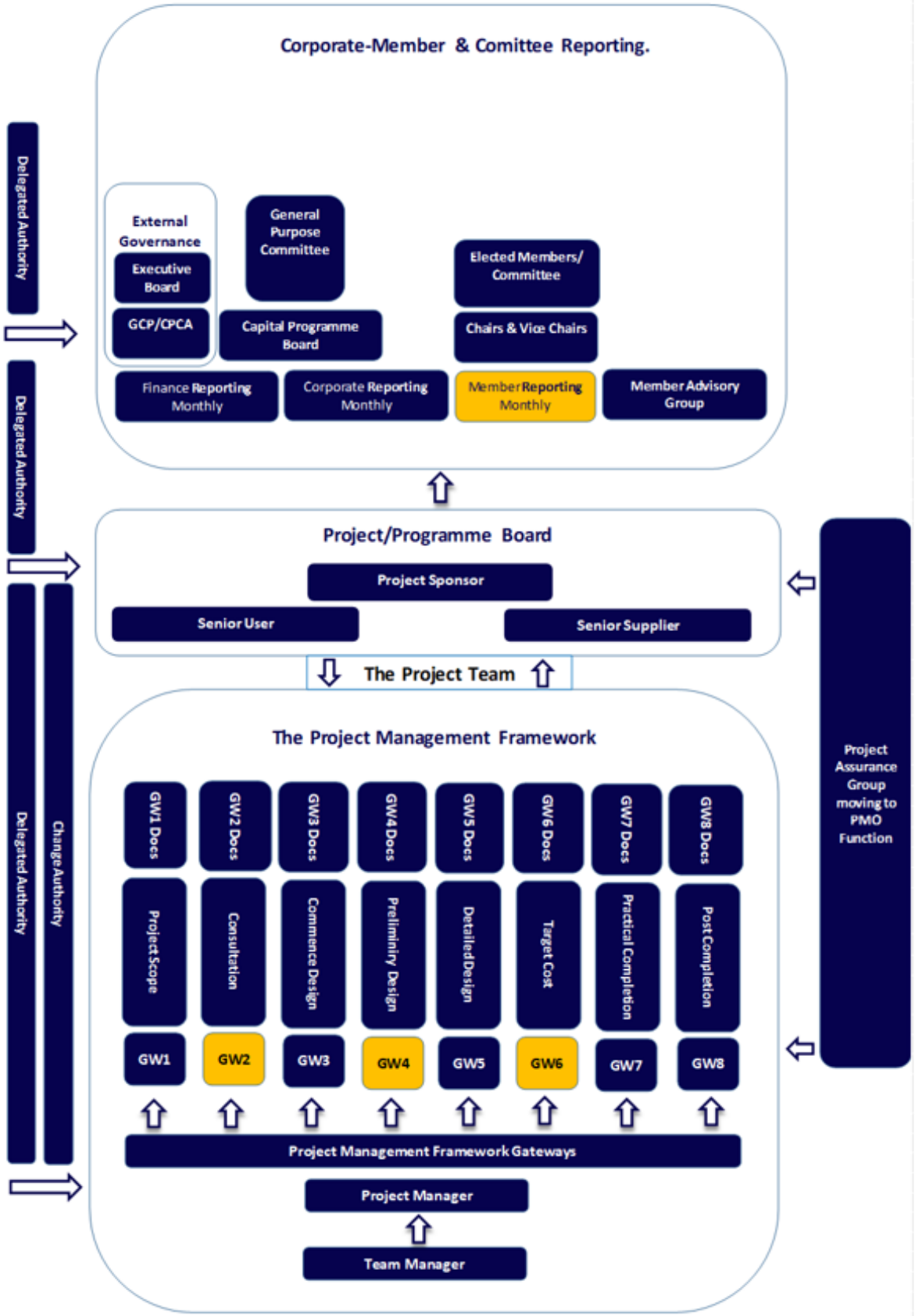
3. Appendices

Appendix A: Governance Organogram
Appendix B: Procurement Choices for delivery of Infrastructure Services
Appendix C: Project Delivery Control Environment Summary
Appendix D: Project Summary Output of the Project Delivery Control Environment
Appendix E: Project Assurance Group & Audit Compliance Tracker

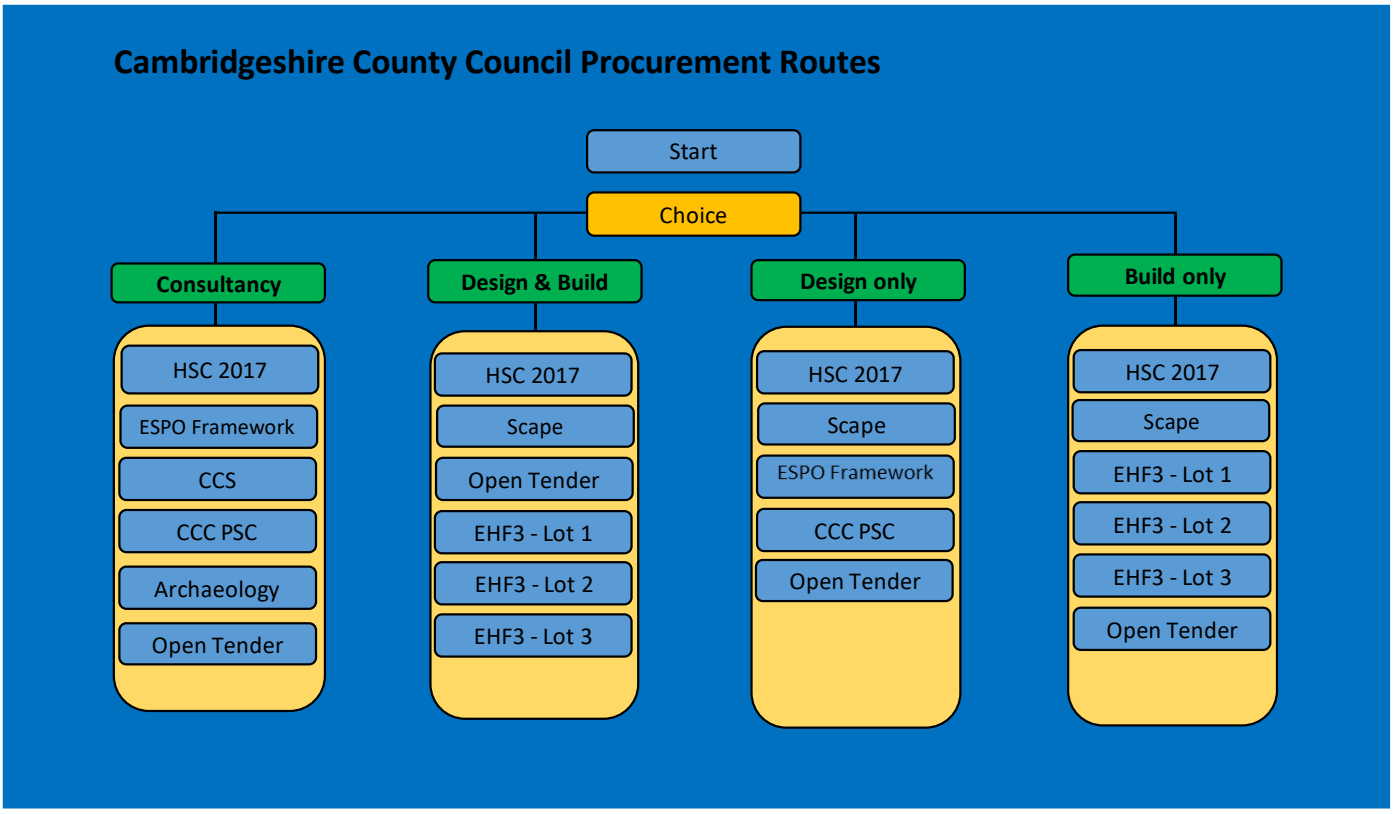
4. Source documents

4.1 None

APPENDIX A: Governance Organogram



APPENDIX B: Procurement Choices for delivery of Infrastructure Services



APPENDIX C: Project Delivery Control Environment Summary

Scheme Name	Design	Land	Budget	Prog	Delivery	**Overall**	Summary of key issues	Mitigation / Intervention (where required)
A10 Ely to A14	L	L	M	L	L	**L**	Source resources and project structure to develop OBC	Funding Agreement to be put in place with CPCA
A141 & Huntingdon & St Ives Improvements	L	L	M	L	L	**L**	Source resources and project structure to develop OBC	Funding Agreement to be put in place with CPCA
Active Travel Programme 2	L	L	M	M	M	**M**	Programme to be confirmed, communicated and delivered by Autumn 2022	Top Up funding to be secured with CPCA Business Case
Alconbury Village link MNU2	L	L	M	L	L	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process

Bar Hill to Longstanton NMU1	L	M	M	M	M	**M**	Land issues and access to the network are holding up delivery	Engagement underway with Streetworks, land owners and developers
Boxworth to A14 NMU2	L	L	M	L	L	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Buckden to Brampton NMU2	M	M	L	L	L	**M**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Cherry Hinton Road	L	L	L	L	L	**L**	Design funded and underway	Funding for construction will need to be sourced and secured
Chisholm Trail Coldhams Common Package Part A (footbridge & link)	L	L	L	L	L	**L**	Completed subject to snagging and final account	Not required
Chisholm Trail Coldhams Common Package Part B (footway widening / culvert / NR)	L	L	L	L	L	**L**	Completed subject to snagging and final account	Not required
Chisholm Trail Fenn Road Package	L	L	L	L	L	**L**	Completed subject to snagging and final account	Not required
Chisholm Trail Phase 1	L	L	M	L	L	**L**	Route opened December 2021 to public, minor final items being closed out. Final account needs settling with Tarmac	Not required
Dry Drayton NMU2	L	M	L	M	M	**M**	Early options and design work underway. ITB funding being utilised.	Scheme development, delivery and programming depending on NH bidding process
Ely Stuntney Cycleway	L	L	M	L	L	**L**	Section installed to allotments	Second phase requires funding to be sourced

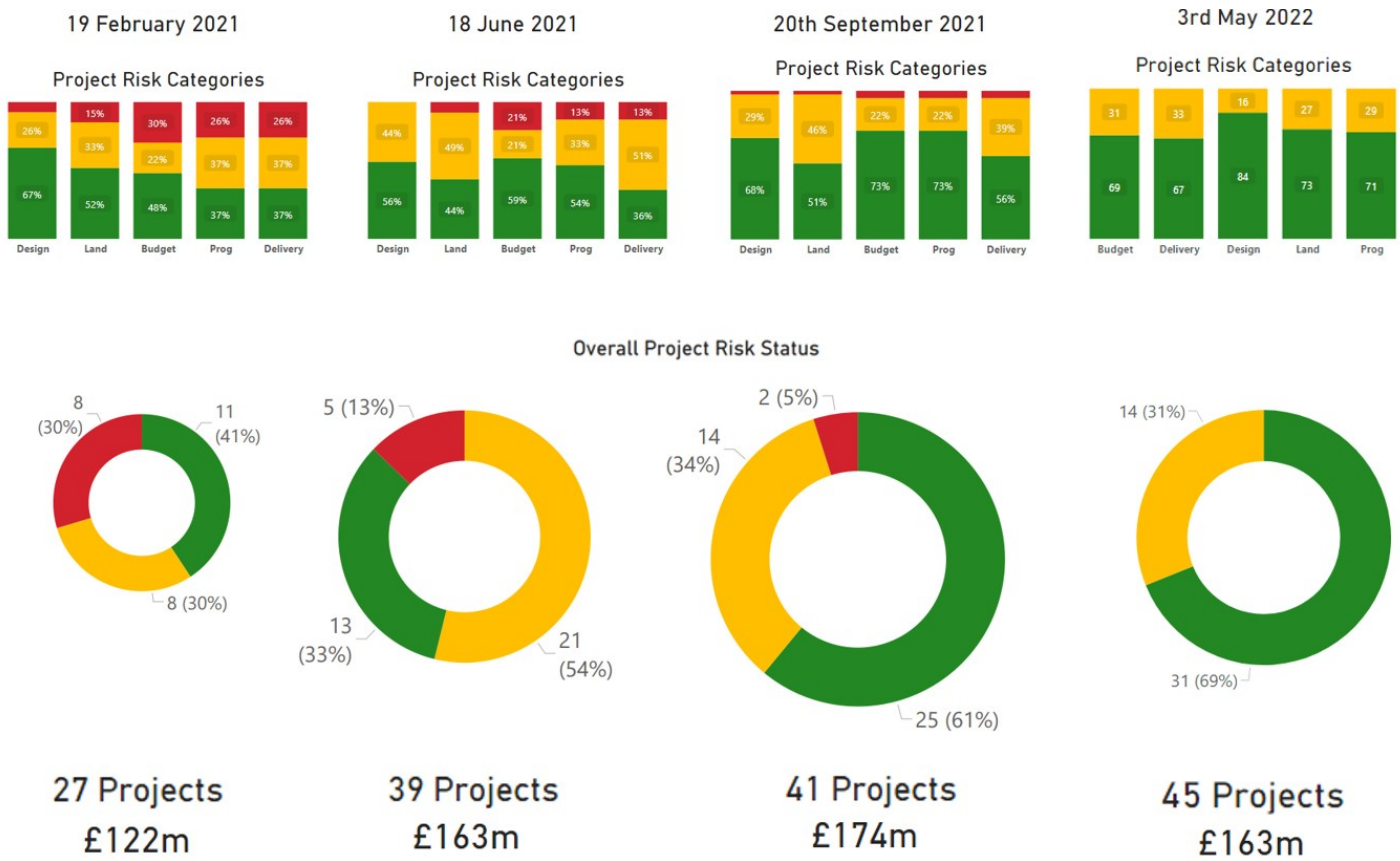
Girton Footpath 4 & 5 Upgrade NMU2	M	M	L	L	M	**M**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Girton to Oakington NMU1	M	M	M	M	M	**M**	Phase 1 under construction & Further phases require engagement with land owners and additional funding	Engage with land owners and progress funding opportunities including s106 & NH
Hilton to Fenstanton NMU2	L	L	M	L	L	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Huntingdon railway station to Alconbury Weald NMU2	L	M	L	L	M	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process and engagement with Urban Civic
Kings Dyke	L	L	M	L	L	**M**	Works are on programme with pressures around budget due to Compensation Event regarding Star Pit	Legal Advice being sought ref Star Pit
Lancaster Way Roundabout	L	L	L	L	L	**L**	Scheme completed to programme and budget subject to RSA3, Cadent Gas protection, trees and landscaping	Not required
Lancaster Way NMU Permeability	L	L	M	L	L	**L**	Establish project team, Project Manager and undertake cost assessment	Set up Project Board with Project Sponsor the CPCA
Local Highway Projects Programme 2021/22	M	L	L	M	M	**M**	Programme and resource challenges	Seek additional design and project management resources and seek improvements from MWG

Local Highway Projects Programme 2022/23	M	L	L	M	M	**M**	Programme and resource challenges	Seek additional design and project management resources and seek improvements from MWG
March Broad Street Project	L	L	M	M	M	**L**	Pressures on programme for early start with design works and ground investigations	Requires forward funding from CPCA being sought by board
March Future High Street Project	M	L	L	M	M	**M**	Scope revised within budget / programme is challenging / District Council is consulting	District Council are arranging comms and stakeholder engagement running in parallel to design process
March Major Highway Projects	L	M	L	L	L	**L**	Initial works underway to review costs and programme to feed into Business Case	Not required
March Minor Projects	L	L	L	L	M	**L**	Delivery delayed for completion until June 2022	Ensure effective communication with local Members and residents
March Northern Link Road	L	M	L	L	L	**L**	Significant land take required / Initial works underway to review costs and programme to feed into Business Case	Design options being considered
March Pedestrian & Cycling Strategy Projects	L	L	L	L	L	**L**	Initial schemes being reviewed and worked into programme	Programme Board being established and Project Manager identified
Northstowe Bus Link	L	L	L	M	L	**L**	Additional funding secured via s106	Consider alternative options for delivery to reduce construction costs
Oakington to A14 NMU2	L	L	M	L	L	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process

Offord Cluny to Godmanchester NMU2	L	L	M	L	L	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Papworth to Cambourne NMU1	L	L	L	L	L	**L**	Completed April 2022, subject to snagging	Not required
Paxton to St Neots NMU2	M	M	L	L	L	**M**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process
Ring Fort Path	L	M	L	M	M	**M**	Design being finalised with NH / protracted land acquisition with one land owner	Engagement underway with land owner and NH
Spencer Drove Soham- access to Arts Centre	L	L	M	L	L	**L**	Scope and project agreed for delivery Summer 2022. Small contingency for any cost increases	Not required
St Johns Street Rising Bollard	L	L	L	L	L	**L**	Initial scoping, design and consultation underway	Not required
St Ives Local Improvements	L	L	L	L	L	**L**	Initial scoping and programming to commence	Establishing Programme Board with CPCA
St Neots Future High Street Transport Programme	L	L	L	M	M	**M**	Scope revised within budget / programme is challenging / District Council is consulting	District Council are arranging comms and stakeholder engagement running in parallel to design process
Swaffham Heath Road Crossroads	L	M	L	M	M	**M**	Delays over land acquisition on one quadrant are risk to programme	Engagement underway with land owner
WAS Broadend Road/A47 rbt (BER2)	L	M	L	L	L	**L**	Design and land acquisition to be secured by Summer 2022	Funding for procurement and construction being sourced
WAS Elm High Road/A47 (EH1)	L	M	L	L	L	**L**	Design and land acquisition to be secured by Summer 2022	Funding for procurement and construction being sourced

WAS Elm High Road/Weasenham Ln rbt (EH7B)	L	M	L	L	L	**L**	Design and land acquisition to be secured by Summer 2022	Funding for procurement and construction being sourced
Wheatsheaf Crossroads	L	L	L	L	L	**L**	Project being scoped, options appraisal, then move to design	Engagement with land owners required
Wood Green A1198 to Godmanchester NMU2	L	M	L	L	M	**L**	Early options and design work underway	Scheme development, delivery and programming depending on NH bidding process

APPENDIX D: Project Summary Output of the Project Delivery Control Environment



Ref	Agreed Actions & Management comments from Audit	Notes on Audit Requirements	PAG Owner	Current position	RAG STATUS / Red-Intervention Required / Amber-required closeout actions / Green-Complete subject to ongoing review and improvement	Record of activity, progress and/or Remaining Actions
1	**The new Gateway process / governance framework will ensure consistency and robustness in project management, as long as it is routinely complied with. The Gateway process should be constantly reviewed to ensure it is proportionate and effective. Recommendations (below) should be built into this process including:- (1.1 -1.9)**	**Roscoe Gibbs- PMO Team Leader Section Lead A Gateway Framework** – Gateway process and a User Framework Guide for project managers. Projects will be required to satisfy each Gateway 1-8 before moving to the next, ensuring effective project management based on the principles of Prince 2 project management	Roscoe Gibbs	Provide summary wording for this section		
1.1	Regular review & update approval cycles for the Gateway process (proportionate and effective).	It is recognised that not all projects will utilise the full Gateway Framework, however all projects will utilise the template and follow the gateway process and principles. A LITE version will be available for simpler projects	Roscoe Gibbs	This task is underway although a LITE version requires some refinement and adaptation in the user guide PMO 29/04/2021: Gateway framework approved and circulated.		PMO 29/04/2021: Gateway compliance approach agreed by PAG & Audit. PMO 20/05/2021 PMO updated gateways in POWA to 1 before the current Stage. Delivery teams required to updated legacy gateway information aligned to PMF. This could impact the progress as it's pivotal for PMs to update this information. This is the only reason this is marked as Amber. PMO then will update to current gateways and use the gateway function moving forward. 03/06/2021 PMO: No PMs have updated legacy information as of yet. Action for RG & AD to raise at MID management meeting. PMO 25/06/2021 The substantive system is in place for PMs to use the new controlled environment in POWA & PowerBI. PMO 17/09/2021: Further procedures and guidance have been developed to help the PMs to comply with the PMF and project delivery requirements. PMO 14/01/2022 Progress is being made on this with the help of QA meetings between the PMO and the PMs along with a compliance dashboard that is being consumed at the Project Delivery Team Leaders meeting. PMO 02/05/22 Further progress is being made, including referral to Gateway Process at Project Boards and instilling gateway compliance for committee and progression to next gateway, however requires full compliance across all programmes and projects. Amber RAG is still appropriate however.
1.2	Gateways underpinned by clear policy and procedures, key controls (and their need), risks of non-compliance	Included in Gateway process and User Framework Guide	Roscoe Gibbs	User guide is in draft form and needs refinement and universal roll across projects and PMs		PMO 29/04/2021: Policy and documents in place. However lacks application from all Project delivery teams. Enforcing 1.1 action on gateway control will help with this. Keep User Guide in draft until fully operational and use lessons learnt to help with further changes. 02/05/22 PMO Roll and compliance is being improved across the board, however there are still some areas outstanding to achieve full compliance. Therefore Amber RAG is still considered appropriate until full compliance is achieved.
1.3	Targeted communication strategy	Engagement with stakeholders, directors and elected members could remain project by project basis, or reporting of all projects via a summary and project focus on a monthly basis	Sue Proctor / Alex Deans	Reports were taken to H&T committee in 2021 which adpopted the committee approval at specific gateways. Members were also provided an update of progress in how the service is applying consistent standards and processes to projects.		AD 02/05/22: The process has been rolled out and communicated with the H&T committee Members in 2021. However discussion was undertaken with PAG as to whether a form of communication would be provided wider to all Member so they understood the new processes and gateways when the projects would be reported to Members via committee. Also discussions remain ongoing with key partner like GCP and CPCA , as to whether they would like to adopt the project gateway and Power BI system, and benefit from the development of the systems within CCC since Autumn 2020. Until these matters are concluded an Amber status is considered appropriate.
1.4	Quality checking programme (routine independent, sample checking for compliance & effectiveness) to facilitate the targeting of training/development needs and early identification of non-compliance / shortcomings	Deep Dive proposed for 8 projects across MID. These to form exemplar arrangements for contract management and lessons learnt to be actively shared across the service. Assurance across the full range of projects is required.	Roscoe Gibbs	This has been assessed and targeted areas being delivered as part of MST&P training		PMO 29/04/2021: This feeds into the approach for 1.2. Delivery teams to upload the deep dive information into POWA on the gateways as mentioned above. When entire programme is in the system the PMO will review gateway documents before proceeding to the next stage

1.5	Workforce Development Plan incorporating skills gap analysis and Training and development plans	Skills assessment is underway across MID and to feed into corporate Workforce Development Plan. Date for this to be confirmed	Alex Deans	Skills assessment was undertaken in 2020 and fed into content for MST&P. PMs have been upskilled, with many attending training, plus this was rolled out for interims in a LITE version of MSTP		AD 02/05/22: There have been resource and skills challenges within project delivery. Development and training of staff was undertaken over 2021. However due to high levels of interims, further staff leaving, new interims being appointed and an increasing pipeline of projects resource pressures have been increased in this area. A major recruitment campaign in 2022 seeking 25 posts delivered only limited success (3 external appointees). Therefore the service is seeking more innovative ways to recruit, and is working with L&D in 2022 to develop a "Grow Our Own" programme part funded by the apprentice levy. This has led to ongoing pressures with staff retention, development and training. However further cohorts of Managing Successful Teams and Projects are planning for 2022, for new, non-management staff and new interims associated with project delivery. Due to the ongoing challenges, this is retained as an amber.
1.8	KPI and performance monitoring	To be aligned with F Project Governance - Alex Deans- Group Manager MID	Roscoe Gibbs	PMO 20/05/2021: Threasholds are fleshed out in the Project Governance Document, which is part of MSTP and the PMF.		PMO 29/04/2021 Foundation for KPI reporting has been built in POWA and PowerBI. PowerBI Premium has been acquired so we can circulate KPIs to different audiences. Project specific KPIs baked into PowerBI corp dashboards. Additional KPIs can be developed on request. 03/06/2021 PMO: PMO happy with KPIs present in PowerBI. this will evolve over time however satisfies audit report
1.9	Reporting frameworks and standard documentation	Reporting frameworks for projects to be aligned with F Project Governance - Alex Deans- Group Manager MID	Roscoe Gibbs	Documents are in draft form.		PMO 29/04/2021: Highlight reports created to align with Governance framework. See: a highlight report example PMO 21/04/2022: PMO Toolkit circulated and adopted. Scope to evolve further from customer feedback and suggestions. This will naturally happen as it gets more adoption.
2	**From the initial feasibility stages of the project, a more defined process for setting the initial budget for the project should be established in detail to ensure that an estimate of the cost for all known aspects of the project**	**Steve Grey- Commercial Contract Manager & David Parcell- Group Accountant- Section Lead C Financial Control** – Each project, and overarching programmes, will have clear finance documentation and explicit cost control. Re-baselining of cost where necessary, and improved controls and reporting / Requires close consideration with E Procurement & Contract Management as procurement route and possible tender has potential to impact significantly on project cost	Steve Gray	Develop Process with Pm's to produce and set the whole project budget cost including consideration for risk,OB and contingency as approriate. If project cost exceed budget flag up for review.		
2.1	This to include a costed risk register and the application of an appropriate level of optimism bias.	A costed risk register for each project will be created | Appropriate level of contingency budget required for Projects	Steve Gray	Currently reviewing budgets with individual Projects Managers to include costed Risk Register for each individual project. Suggest that the Optimism Bias follows the Mott McDonald model,currently working on a spreadsheet that would populate O B based upon a series of criteria.		PMO 30/04/2021: On discussing this with SG and internally with the PMO we suggest we embed governance around Optimism Bias via the project boards (Eg Project board routinely discuss and agree an Optimism Bias percent) . PMO will create a database which will hold the latest agreed optimism bias %. This will then be used on PowerBI to take project level forecast/profile data to give a Project budget with Optimism Bias included. Likewise a suggested contingency budget can be displayed on PowerBI reports that takes all live costed risks added up with the formula (Likely cost * Estimated Probability) 25/06/2021 Risk register policy has been created and is in draft to support with a risk register approach. Costed risk registers should be present for all of MID programme by the end of September 2021. 22/06/2021 On the live jobs list after review with relevant Pm's 16 now have costed risk registers,2 have completed and the RR's have been closed.* further projects have unpriced risk register and will be reviewed in the following weeks. PMO 21/04/2022: Vast majority of live projects have fully costed risk registers and this value is being factored into cost profiles. PMO support to ensure risk resiliance is ongoing and developing costed rsik registers for new projects

2.2	From the early project development stage, to make allowances for potential additional costs, therefore offer greater visibility of the total budget potentially required.	"Realistic" project costs identified from outset including Optimism Bias and appropriate level of contingency budget included	Steve Gray	Currently carrying out reviews with each individual PM to identify realistic project costs and identify areas of concern/risk and valuing these accordingly,then presented to the project board for dicussion and agreement.		PMO 30/04/2021: Same comments as 2.1 SG 03/06/2021: 18 out of 45. SG 22/6/2021 29 out of 43 PMO 25/06/21: PID template added into the PMF to support this action. Which includes budget planning, risk planning, programme planning etc. PMO 13/08/2021 OB approach also being finalised with additional calculator support PMO 21/04/2022: Optimism Bias and Risk Contingency proceedures are established and both these calculations are now available dynamically in PowerBI cost profile reports depending on projects current delivery stage. This further supports gateway compliance.
2.3	To support Member decision making to clearly outline the known risks in fulfilling or delivering a project and also the limitations of optimism bias	Contingency budgets (and use of) should form part of the Approved project budget, allowing compliant contract management without further/additional committee decisions for increasing budget	Alex Deans	As 2.2		Provide sufficient documentation to explain to members any allowances made for risk,contingency and optimism bias. PMO 03/06/2021: Tools have been created to accommodate this and the HoS has control over stopping a project going through a gateway PMO 21/04/2022: System is set up for a PMO gateway review before formally being processed for a member decision. This should include a fully costed project plan, including cost risk register (risk contingency) and sufficient optimism bias. On gateway approval the project plan should be baselined.
2.4	Project Manager to continually review & update Optimism Bias and include within every revised forecast through the life of the project		Team Leaders	Optimism bias has currently been assessed at project levels on a number of upcoming projects and included in current Budget/Target costs.		PMO 30/04/2021: We suggest Optimism Bias is managed at a Project Board level /project level and not on individual task resourcing. This will help give transparency on OB in the context of a "realistic" costed programme. PMO 03/06/2021: Should be reviewed and actively managed at each delivery stage. TLs should be managing this with delivery teams and get sign off at Project Board/Programme Board. Steve Grey has supplied a OB matrix. PMO 25/06/2021: OB calculator has been added into the PMF for PMs to use and process has been created to accomodate OB into project plans and project profiles. PMO 13/08/2021 Cost managament manual available for comments which includes an OB approach. PMO 21/04/2022: Default OB calculation is added to projects depending on their delivery stage. This means this important element of project costing can't be overlooked. If a delivery team wishes to change the OB applied to their project, there is a goverance process around this, which requires Project/Programme board approval and documented in the desision log
2.5	Project managers should be developed, trained and performance managed (in house and external providers); targets set and monitored to ensure consistency of approach and improve forecasting.	Team Leaders and Project Leads, where required, own and be accountable for project assurance within their teams. The Group Manager who will provide overall assurance for the service	Alex Deans	Perm staff and interims are performance managed via appraisals, 121s and via monthly reporting to Project Boards / Delivery of projects are being measured through Project Boards and via POWA		AD 02/05/22 This has been achieved through managing the project within Power. Projects have a responsible (accountable) Project Manager, and overall performance of the projects is reported weekly by the PMO to the Team Leaders. This ensures any "red" issues and non compliance within Power is flagged up, and Team Leaders intervene as appropriate. Further projects are reported at monthly board meetings through project "Highlight Reports" which provides visibility and and key issues, and the ability of the Project Managers is assessed by Team Leaders, the Assistant Director and project sponsors., Further perfrmance is measures for all staff through 121s and our conversations.
2.6	Short term, there should be a regular sample of projects actual costs to date and forecasts selected for scrutiny & verification i.e. in service audit process as part of a wider quality check of sample projects.	In the short term the "Project Assurance" change management task and finish group can pick this up to test the new systems and processes being introduced throughout MID	Steve Gray	PMO 30/04/2021: Data connections to Actuals (GL) have been put into reports against baselined forecasts and current forecasts to give 3 levels to compare. See highlight report for example:		PMO 03/06/2021: All forecast and actuals are accessible in PowerBI and can have peer to peer review and strutinisied by any level of the organisation. Some projects continue to mature and migrate in Power
2.7	Outcomes current audit and Gateway Framework to be included in performance management and workforce development frameworks.	Aligned closely with F Project Governance - Alex Deans- Group Manager MID which includes performance management and workforce development	Alex Deans			This is in place via Highlight Reports to project board and reporting via PowerBI

3	**Robust, accurate and continual forecasting and reporting, critical in project management & decision making should form a key part of all projects. Including a detailed forecast breakdown being presented at all project board meetings and AD.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | Need to redefine Project Board and ToR for projects. Also recommend introducing over-arching monthly Officer Project Assurance Board followed by monthly Member Project Assurance Board | The papers would provide project update on all key aspects including time/cost/risk and key issues	Alex Deans	This is being delivered under Project and Programme Board, however needs hard wiring into the GW process and POWA		
3.1	Successful project management is dependent upon accurate forecasting, and it is proposed that performance targets are introduced in this key area of the process, e.g. a simple measure would be variation	Requirement to build into Power BI	Roscoe Gibbs			PMO 29/04/2021: Forecast variance embedded in Highlight Reports and PowerBI.
4	**Where a budget is allocated for a number of scheme deliverables, or where one budget is allocated across a number of projects, there should be a clear reporting process during the design, tender and construction stages for re-approval by Committee, or under delegated powers, as individual project costs are developed.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | Project Boards to include stakeholders and budget owners (CCC-GCP-others) who will advise when their committees	Alex Deans	This is being delivered under Project and Programme Board, however needs hard wiring into adopted versions of the GW process and POWA		
4.1	Informed discussion on the potential impacts on the delivery of other projects, as detailed project costs are determined and will also set clear budgets for individual projects.		Alex Deans	This is delivered via programme management and attendance at Capital Strategy Board of the AD Project Delivery		
4.2	Cost increases (from initial budget estimate to the full target cost submission) should be provided to Committee which sets out the key differences, and seeks approval to progress to the next stage. Virements of budgets from project to project should be reported to Committee where the overall budget will be impacted materially.	Committee Approval is required f the project budget is forecast above the approved budget, which includes appropriate contingency aligned with project risks	Alex Deans	This is in place through Project Boards and project governance and reinforced through the GW process		
4.3	Formal escalation to senior management, Members and funding partners where virements across scheme components impact the wider programme, and be a key control within the gateway process when approving virements within schemes	There is a balance where the project must be managed within "Agreed Tolerances" (delegated), allowing compliant contract management which will be reported, and progressed when forecasts outside agreed tolerances are formerly escalated for approval	Alex Deans	This is in place through Project Boards and project governance and reinforced through the GW process		
4.4	Reporting of virements to senior management and Committee should be proportionate and manageable. The service should determine the value/percentage for these approval levels; delegation cannot exceed the Council's Scheme of Financial Management – i.e. The Scheme of Financial Management must be complied with.	The value/percentages for the service to be agreed by Directors/Committee then to be called "Agreed Tolerances" and delivered within Project Budget's contingency fund	Alex Deans	This is being managed via Project Boards and Team Leaders, but needs to be more hard wired through POWA		PMO 14/01/22 A tolerance document has been created and the PMO are requesting they are present and available for all active projects. The template is linked. When there is full gateway compliance we will also have baselines to draw KPIs from and the baseline will be aligned to the gateway decisions. AD 02/05/22 Considerable improvement has been made, with all projects deliverables aligned to allocated budgets at this time. However further development and progress is required, to deliver this fully within Power (hard wired within the PMO) where monthly reporting at the Project Boards to Team Leaders and the Assistant Director is secondary rather than primary assurance process.

4.5	As part of the gateway process, and reported to Committee periodically, new transparency and oversight within the service will include clear guidelines on escalation to directors and Members. This should show Committee reports the allocated funding/ budget as well as the most up-to-date forecasts for full delivery of the project.	Need to define Project Board and ToR for project. Also consider introducing over-arching monthly Officer Project Assurance Board followed by monthly Member Project Assurance Board". Only need to go to committee for project/budget approval and Decisions not regular updates	Alex Deans	This is being developed, with the first Member reporting 9 March 2021. All projects are now controlled by Project or Programme Boards		Requires standardised approach and ToR across all projects. PMO 21/04/2022 Standard ToR template has been created for all projects.
4.6	Where several discrete delivery elements are developed / tendered separately, there should be a consistent reporting process for each element and each stage. Committee reporting should show risk to the wider programme / deliverability, including costed risk registers, future cost fluctuations/ end out turn forecast, variance against initial / approved budgets.	Recommend this is reported to "monthly Officer Project Assurance Board followed by monthly Member Project Assurance Board"	Alex Deans	The reporting is in place via PowerBI and monthly finacial reporting		
4.7	Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications. In instances where the delegation has significant financial implications, these decisions should be made in consultation with and with approval from JMT.	Agree realistic workable limits with C Review of Finance – Steve Gray- Commercial Contract Manager & David Parcell- Group Accountant Once agreed and Approved these would become the "Agreed Tolerances"	Alex Deans	The current constitution and Fin Regs are considered workable to allow "tolerances" as per the adopted Governance document, to work across projects		
5	**Project Procurement requires a consistent process to include stronger understanding of VFM at initial Gateways**	**Jon Collyns - Procurement Lead & Emma Murden- Contract Manager Section Leads- E Procurement & Contract Management**- this will ensure early consideration for procuring project design and construction services based on timescales, complexity, quality, cost and project sensitivities ensuring the optimum route for project delivery and VfM. Measures to ensure effective and compliant contract management at both the corporate and project level will be implemented, measured and reported including performance management for all suppliers. Skanska will no longer be the automatic/sole route for design and construction services for MID projects | Introduce Procurement Decisions Matrix based on complexity/cost/timescale for procurement via tender (may include OJEU), existing frameworks or term service contracts | Could	Jon Collyns	Commissioning decision matrix - with early Client involvement with a series of meetings (star chamber style)		
5.1	Each scheme should be a sufficiently detailed in choice of procurement route This would include financial and non-financial considerations. Any exception policy must have clear approvals and be reported to Committee. Compliance with the Contract Procedure Rules and compliance with the T&C's within the existing CCC contracts	The value/percentages for the service to be agreed by Directors/Committee then to be called "Agreed Tolerances" and delivered within Project Budget's contingency fund	Jon Collyns	Team Leaders and PMs are enaging with Procurement in the early stages of the project to agree a Procurement Stategy for the major high value projects. A Procurement and Commissioing Guide has been produced titled "CCC Commissioing Works and Services Guide April 2022"- April 2022" to support.		
5.2	Audit rightly comments 'this may include an increased incidence of tendering exercises to ensure that the TSC continues to provide competitive prices'.	Agreed- however cost and time of running procurement exercise needs to be factored into Procurement Decision Matrix	Jon Collyns	Procurement timescales are now incorporated in the project gateways on POWA		

6	**Consultancy Services procured by the service must in future be reported and route / choice of consultancy summarised. Commissioning consultancy type services should follow the Council's recently approved Use of Consultants Policy.**	**Jon Collyns - Procurement Lead & Emma Murden- Contract Manager Section Leads E Procurement & Contract Management**- this will ensure early consideration for procuring project design and construction services based on timescales, complexity, quality, cost and project sensitivities ensuring the optimum route for project delivery and VfM. Measures to ensure effective and compliant contract management at both the corporate and project level will be implemented, measured and reported including performance management for all suppliers. Skanska will no longer be the automatic/sole route for design and construction services for MID projects.	Jon Collyns	Provide summary wording for this section		
6.1	The nature/extent of commissioning should be reported including an assessment of skills & capacity procured.	Forms part of Managing Teams and Successful Projects and development of procurement/commissioning guides	Jon Collyns	The Contract & Commissioing Team have rolled out training in the form of NEC forms of contract, the MST&P module 3 "Procurement Choices" and rolled out "CCC Commissioing Works and Services Guide April 2022"- April 2022" to support.		
6.2	A clear timescale to be agreed for a skills gap analysis and subsequent implementation of learning and development plan	Forms part of Managing Teams and Successful Projects and development of procurement/commissioning guides	Jon Collyns	The Contract & Commissioing Team have rolled out training in the form of NEC forms of contract, the MST&P module 3 "Procurement Choices" and rolled out "CCC Commissioing Works and Services Guide April 2022"- April 2022" to support.		
7	**The Term Service Contract with SKANSKA has no formalised quality assessment process. Further consideration should be given to the Internal Audit Highways Service Contract report.**	**Jon Collyns - Procurement Lead & Emma Murden- Contract Manager Section Leads E Procurement & Contract Management**- this will ensure early consideration for procuring project design and construction services based on timescales, complexity, quality, cost and project sensitivities ensuring the optimum route for project delivery and VfM. Measures to ensure effective and compliant contract management at both the corporate and project level will be implemented, measured and reported including performance management for all suppliers. Skanska will no longer be the	Emma Murden			
7.1	Concerns include how CCC manages the contract at both strategic and operational levels.	Need to consider delivery of infrastructure projects	Emma Murden	This is being addresses in the Highways Contracts and Commissioing Team as part of BAU and further The Contract & Commissioing Team have rolled out training in the form of NEC forms of contract, the MST&P module 3 "Procurement Choices" and rolled out "CCC Commissioing Works and Services Guide April 2022"- April 2022" to support.		

7.2	Emphasis should be placed on ensuring that the Contractor provides the Council with accurate, prime record cost information to ensure full open book review of each contract. There is concern surrounding VFM.	Procurement Decision Matrix will consider and include VFM | Contract form including open book to be aligned with C Financial Control – Steve Gray- Commercial Contract Manager & David Parcell- Group Accountant	Emma Murden	This is being addresses in the Highways Contracts and Commissioing Team as part of BAU		
7.3	Consideration should be given to a KPI for the TSC to assess the accuracy of design works undertaken. This would drive good performance, and consequently mitigate CCC's risk to ineffective or inaccurate design works	This should be captured and compared with performance of other suppliers, including those of projects tendered independently | Requires consistent approach to performance management, either following TSC KPIs or implementing new KPIs for all projects, including those delivered on the existing TSC	Emma Murden	The PMO has incorpoarted a Design Resource to work across all projects, ensuring design are suitable and are the most viaible options before going to the contrcators for pricing. This will ensure VFM and reduce CEs assocaited with design. Further a working group has been set up to review the KPIs of the Term Service Contract		AD 02/05/22. The PMO has introduced a "Design Expert" resource within the PMO to support PMs and ensure intelligent clienting of design works for cost and quality assessments. There has also been a group established to review the performance measures of the Milestone Term Service Contract in 2022. The PMO is introducing a system to measure performance of the various design organisations including Milestone, Atkins and WSP and feed this back through the contract mangers within the Highways Contracts and Commissioning Team to ensure performance relating to quality and price for all commissioned design work. This work remains in development, and therefore is given an amber status.
7.4	A process should be undertaken to retrospectively assess design work undertaken within the TSC, and the accuracy of these designs once progressed to construction. Identified trends and variance should trigger adjustment to budget and/ or timescale – for that project and other projects with similar design elements.	Formalise project review/lessons learnt including comparison with projects delivered outside of TSC | Cost up where design "issues" have led to project overspends and time delays to quantify problem	Emma Murden	Contract Monitoring forms issued quarterly assessed by KPI's and CE's. Suggest linking into POWA.		
7.5	Cost of external contractors to undertake third party monitoring for key projects should be identified. A separate approval process should be undertaken to secure the funding for this element of the project	Consider whether this can be more efficiently delivered within CCC/MID as should be ongoing requirement	Alex Deans	As part of the Procurement and Commissioing Strategy the Project Team under the AD Project Delivery, determine if a designated NEC PM is required. At this time this function is in place on the major projects like Chisholm Trail and Kings Dyke, and being rolled out for some new large value projects that will be commissioned outside of the Milestone Term Service contract like the Future High Street Projects		There are two projects of the 45 currently being managed in Project Delivery, where due to their high value (+£20M) the Council commissioned the services of an expert company to operate independently of the Employer (the Council) and the Contractor to administer the Contract. Which is industry standard for major high value contracts. These two contracts are ending in 2022, and as part of the project review process (now a gateway requirement) both projects will be reviewed including the value for money element of using the external consultants in this regard. This work is best carried out post completion, so is planned for later in 2022, hence this item retains its amber status.
8	**Risk Management and Optimism Bias. Known risks that could impact initial cost estimations, must be assessed, costed and highlighted to project boards / members to ensure full transparency and contingency.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | Engineering projects should have a suitable contingency fund as part of the Approved budget, with the percentage of the fund agreed on a sliding scale based on risks and project complexity including engagement	Alex Deans	This is being delivered by Project Boards and cost assessment of projects. And reported/escalated to Members/committee when required.		
8.1	Live costed risk registers should ensure that project managers/boards and members are constantly updated. This will allow risk to be managed and early intervention (cessation or reduction in scheme objectives.	Live costed risk registers, or key issues arising from them to be reported as part of monthly Director and Elected member briefings	Alex Deans	The risk register format has been agreed. Some projects are compliant but further work is required.		May need some additional support to secure full risk compliance within the PMO to support PMs. PMO 03/06/2021: Live risk registers in PowerBI. Additional risk expert resource would help to get the entire programme up to standard. PMO 14/04/2022 Risk Contingency budget is now factored into profiles/forecasts which are calculated from the costed risk registers.

8.2	Monitoring arrangements and risk allowances should be adjusted in line with severity of risks identified. Where there is high risk, there should be a higher level of monitoring.	This will form part of risk management process	Alex Deans	Costed risk registers have been introduced on projects, and staff are supported by training and support from the PMO		
9	**The service should develop and agree financial/ non-financial criteria to determine if a Project Board is not needed. Consistency with Gateway process must be maintained, with an escalation process in place for projects where there are fluctuations to price, issues with quality or time budgets allocated etc.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee |Financial criteria will be one of the considerations to determine whether a Project Board is required | Consider decision matrix to determine if Project Board is necessary which	Alex Deans	This has been put in place through a combination of Project and Programme Boards. All MID projects sit under a board and are subject to a form of GW process via POWA		
9.1	There should be a reconciliation to ensure that all known projects have either their own separate project board or have been captured by this separate project board for lower risk schemes. Small / low value / low risk projects should be aggregated into a separate overseeing Project board.	A spreadsheet / Project Tracker would capture all projects. A version including projects updates and key risks would be circulated monthly to Senior Officers and Elected Members as part of the assurance process	Alex Deans	This has been put in place through a combination of Project and Programme Boards. All MID projects sit under a board.		
9.2	Within the revised Project Board procedures, there should be clear, formalised escalation process for Project Managers to independently and transparently report any issues or concerns in the delivery of this project. This could of course include cost certainty, but may also involve inappropriate pressure being applied by colleagues and/ or other stakeholders, quality issues, as well as contractual challenges within the partnering arrangements.	This escalation process formalised within MID should be to the Group Manager, then where required escalation to Directors and Elected members for information or a Decision agreed as part of the formal reporting and escalation process	Alex Deans	This has been put in place through Project Governance		
9.3	Project Managers must report at key milestones and each Gateway that capital budgets are realistic. Escalation in line with the Scheme of Financial Management / to be agreed service approval principles is essential. This should include reviews at the design and tender stages as well as prior to construction.	This will form part of A Gateway Framework	Alex Deans	This is being delivered by Project and Programme Boards, but needs hard wiring into POWA and the GW process		PMO 20/05/2021: Milestones are embedded in the Gantt chart template. Goverance gateway review baked into the POWA platform. PMO 21/04/2022: All gateway hold points require a fully costed project plan including risk contingency and optomism bias before progressing through a gate. The project plan can then be baselined on gateway approval for the project moving forward.
10	**A suite of KPI's should be agreed and introduced which clearly monitors performance across projects and the service. This could include the percent unplanned expenditure variance against initial estimations**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | Woking closely aligned with E Procurement & Contract Management- Jon Collyns - Procurement Lead & Emma Murden- Contract Manager to ensure newly procured	Alex Deans	Performance is being monitored and measures across the projects based on key deliverables including programme and cost. A suite of KPIs could be designed and delivered by POWA in consultation with contract management to ensure this includes supply chain partners		
10.1	Lesson learned from the regular monitoring should include identifying common unaccounted items and informing values, assumptions and provisions in forthcoming projects	Lessons learnt will highlight common issues for improvement across the service a part of continual improvement	Alex Deans	Lessons learnt is adopted as part of weekly Team Leader meeting under AD leadership. Further project specfific sessions have been undertaken		PMO 30/04/2021: A county wide lessons learnt function is embedded in POWA. We should look to utilise this. PMO 21/04/2022 The corp lesson learnt function isn't as detailed as it needs to be to add the most value across the county. PMO to work with Corp IT to evolve as required to add the most value locally and corparately.

10.2	Formal delegated authority should be considered for managing time delays, with a clear escalation process if delays exceed a clear, pre-set timeframe. The financial impact from time delay should be transparent. Impacts/ blockers on programme should be given the same consideration/ exposure as potential fluctuations to budget.	There is a balance where the project must be managed within "Agreed Tolerances" (Formal delegated authority), allowing compliant contract management which will be reported, and progressed when forecasts outside agreed tolerances are formerly escalated for approval by Decision | Once defined and Approved the Agreed Tolerances will be monitored and reviewed to understand their impact on the project including effective contract management, cost control and programme	Alex Deans	This is being delivered by Project and Programme Boards, with the enhanced focus and scrutiny regarding financial fluctuations and escalation process		PMO 21/04/2022 The Tolerances document embedded in the governance process supports this action
11	**Projects which rely on the 3rd party funds should not be progressed until formal agreements have been made, in order to manage the Council's exposure to risk. This essential criteria should form part of the Gateway process.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | On some schemes CCC is the body delivering the project for others, for example GCP/CA | Need to identify and incorporate 3rd partly requirements for project Approval, reporting and Decision Making. Needs close alignment with: A Gateway Framework - Roscoe Gibbs - PMO Team Leader	Alex Deans	This has been addressed via Project Boards and Programme Boards with appropriate representation from Project Sponsors, and the appropriate funding/delivery agreements to support them.		
11.1	For projects where CCC is acting as a Consultant/Contractor for an external client, a full funding agreement or contract should be in place, before progressing with the project.	Address in Project Boards and Project Gateway Framework	Alex Deans	Embeded into the Gateway review		
11.2	This should be costed and captured that the Client assumes all financial risks and responsibility, explaining that CCC's involvement is solely to the extent of delivering the works is to protect CCC from any overspend risk.	Include within funding agreement	Alex Deans	This has been put in place through Project Governance at the inception of Project and Programme Boards, led by the Group Manager		
11.3	Full consideration for all aspects of the delivery of the project should be presented to the relevant senior officer and Committee. This should include the impact on the wider scheme of work, the impact on staff resource and the potential financial and non-financial risks associated with delivery such as any relevant reputational risk.	This could be addressed by Project Board, with the correct stakeholders in attendance and wider Project Assurance reporting to Directors and Elected Members	Alex Deans	This has been put in place through Project and Programme Boards and ensuring project budgets and forecast out-turn costs include all aspects of project delivery		
11.4	Any change to developer S106 obligations must necessitate appropriate authority and agreement to change a developer obligation of full delivery under a S106 to a contribution.	Required as part of project governance and compliance via Project Boards	Alex Deans	This has been put in place through Project and Programme Boards and supporting project governance		

11.5	Preliminary design and feasibility studies should not form the basis of S106 contributions. Analysis of cost certainty and a contingency /risk pot figure must be agreed by key CCC officers and added to target costs provided by the construction supplier.	Budget to include risks, optimism bias and/or contingency to ensure realistic project cost from outset to form Approved project budget	Alex Deans	This action has been closed out enaging with colleagues in HDM and those securing s106 funding. The starting position will be to ensure the works are carried out by the developer to ensure risk sits with the developer, in the seldom instances when this is not possible, the Council will only agree to deliver the works on behalf of the developer when the works have been subject to "initail project costing" aligned with the template and improvements developed since 2020 within Project Delivery, with appropraite input from a Project Delivery QS		
11.6	Committee Report should detail the initial obligations, the proposed changes and the financial impact to the public sector, as well as to the Council. This should then be approved in line with the Councils Scheme of Delegation and should be based on assurances that other public sector bodies have followed due process	Required as part of project governance and compliance via Project Boards	Alex Deans	This has been put in place through Project and Programme Boards and supporting project governance with reporting to committee as defined		
11.7	At the point at which public funds are necessary to deliver any element of a project, the Council's approval process should be followed including Committee approval for the project and regular reporting on progress.	Required as part of project governance and compliance via Project Boards	Alex Deans	This has been put in place through Project and Programme Boards and supporting project governance with reporting to committee as defined		
12	**The authority and decision making power of Project Boards requires a CCC generic rules and regulations document to determine a general remit/ authority for project boards. A supporting corporate Terms of Reference should be drafted, which can be adapted to reflect the specific projects e.g. for smaller projects.**	**Alex Deans- Group Manager MID Section Lead F- Project Governance –** this will include reviewing project teams, resources, skills assessment, roles and responsibilities, performance, decision making, accountability, reporting and escalation mechanism to Directors, Elected Members and reporting to committee | Project Board Decision matrix to determine where board is necessary including standard ToR, identifying stakeholders, defining roles and responsibilities, aligned with Delegated Authority and procedures for reporting, escalation and Decision making, board/committee or otherwise | Requires involvement at corporate level, as may require changes to delegation and constitution	Alex Deans	This has been provided at a Project and Programme Board level with governance and delegations in accordance with the constitution and Fin Regs. ToR are being agreed project by project to cater for the wide range of projects, sponsors and delivery partners		

Agenda Item No: 10

Performance Management Framework

To:	Audit and Accounts Committee
Meeting Date:	31 May 2022
From:	Amanda Askham, Director of Business Improvement and Development
Electoral division(s):	All
Outcome:	To note the Performance Management Framework and its role in governance framework in the Council
Recommendation:	To note and comment on the Performance Management Framework In future, to review the performance report after it has been presented to Strategy and Resources Committee quarterly

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1. Background

1.1 The Council has refreshed and updated the approach to performance management in response to audit recommendations and the Peer Review in 2021.

1.2 The outcome of this work was the adoption of a new Performance Management Framework, approved by Full Council in February 2022. This framework is now presented for consideration by Audit and Accounts Committee as part of its role in the overall governance of the Council.

1.3 In relation to performance management, the Terms of Reference for the Audit and Accounts Committee state the role of the Committee is:

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
- To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment.

1.4 In relation to the first bullet point, it is important that the Committee needs to be assured that a suitable performance management framework exists and functions effectively in practice, enabling the Council to understand how it is performing in relation to its objectives. In relation to the second bullet point, it may also be helpful for the Committee to see performance management reporting on an ongoing basis, to help understand the Council's risk exposure if there are areas we are performing less well on, in the same way that the Committee also reviews the risk registers. It is therefore proposed to bring performance reports to this Committee following their consideration by Strategy and Resources Committee quarterly.

2. Main Issues

2.1 The Council has a responsibility to manage the performance of services in order to ensure effective service delivery and the achievement of good value for money. The Performance Management Framework (Appendix A) explains how the Council will approach performance management at a strategic level in the different Committees.

2.2 The Strategic Framework of the Council sets out the overarching priorities that the Council has:

- Environment and sustainability – tackling climate change and sustainability
- Health and care – people in Cambridgeshire enjoy healthy, safe and independent lives
- Places and communities – communities and inclusive, better connected and cohesive
- Children and young people – children and young people have the opportunity to thrive
- Transport – enabling safer and sustainable travel around the county

2.3 The Performance Management Framework sets out how the Council will manage performance in delivering services against these priorities. It describes performance management activity at three levels, strategic (Committees and senior officers), operational

(directorate and service management teams) and individual (based on the Our Conversations framework).

2.4 The Performance Management Framework sets out a different role for Strategy and Resources Committee compared to the role that General Purposes Committee took. Strategy and Resources Committee will have central oversight of the framework and will monitor a strategic Key Performance Indicator (KPI) set of 15-25 indicators, which will help us identify whether we are making progress on our corporate priorities. Previously, General Purposes Committee would receive reports on KPIs which had been considered by Policy and Service Committees and were either doing much better than target or were off target (sometimes called 'reporting by exception').

2.5 Policy and Service Committees will continue to receive reports to monitor KPIs relating to their areas of oversight and will have indicator sets that look at their areas in more detail. Committees have been holding workshops and discussions to review KPI sets in light of the new corporate priorities.

2.6 A report is going to Strategy and Resources Committee in June 2022 to discuss progress with the Policy and Service Committee KPI sets and reporting.

3. Alignment with corporate priorities

3.1 The Performance Management Framework is part of the overall governance framework which ensures the Council can assure effective service delivery and value for money in services that contribute to all priorities.

4. Significant Implications

4.1 Resource Implications
There are no significant implications within this category.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category.

4.3 Statutory, Legal and Risk Implications
The Performance Management Framework is part of the Council's governance framework which assures the Council of good management of service delivery and public funds.

4.4 Equality and Diversity Implications
There are no significant implications within this category.

4.5 Engagement and Communications Implications
There are no significant implications within this category.

4.6 Localism and Local Member Involvement
There are no significant implications within this category.

4.7 Public Health Implications
There are no significant implications within this category.

Have the resource implications been cleared by Finance? No
Name of Financial Officer:

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No
Name of Officer:

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? No
Name of Legal Officer:

Have the equality and diversity implications been cleared by your Service Contact?
No
Name of Officer:

Have any engagement and communication implications been cleared by Communications?
No
Name of Officer:

Have any localism and Local Member involvement issues been cleared by your Service Contact? No
Name of Officer:

Have any Public Health implications been cleared by Public Health?
No
Name of Officer:

5. Source documents

5.1 Source documents

Strategic Framework, item 7 Strategy and Resources Committee, January 2022

5.2 Location

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

Cambridgeshire County Council

Performance Management Framework

2022-2023

cambridgeshire.gov.uk

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Introduction

Performance management is central to delivering our vision:

Creating a greener, fairer and more caring Cambridgeshire

Effective performance management comes from a clear idea of where we want to get to, what impact we want to have and how we will do that. For the Council, this starts with our Strategic Framework and Business Plan.

Public services in Cambridgeshire are facing a range of challenges. Performance management helps us make informed choices about how to respond. We review our progress against our corporate priorities:

1. Environment and Sustainability: We are committed to tackling climate change and sustainability
2. Health and Care: We are committed to ensuring people in Cambridgeshire enjoy healthy, safe and independent lives
3. Places and Communities: We are committed to ensuring Communities are inclusive, creative and equitable
4. Children and Young People: We are committed to ensuring children and young people have the opportunity to thrive
5. Transport: We are committed to enabling safer and sustainable travel around the county

This Performance Management Framework sets out how we manage the performance of the Council. The framework ensures that there is a consistent, streamlined and joined-up approach to performance across the Council. It sets out:

- the purpose and scope of performance management
- how our culture underpins our performance management
- the elements that make up our performance management system

- the roles of our Councillors, our employees, and citizens
- our Strategic Key Performance Indicators
- the procedure for adding and removing KPIs
- a KPIs quality standards checklist

Purpose of performance management

Performance management is a tool that allows us to measure whether we are on track to achieve our corporate priorities. If we are off-track, we change our activities to improve service delivery, value for money and the outcomes people experience. Effective performance management enables diagnosis and interaction. It requires an effective performance management system and a strong performance management culture.

We are open and transparent about our services. We communicate our progress to everyone who has an interest in it. This includes citizens, funders, regulators, Councillors and officers. In addition, we have a statutory responsibility to report to our funders and regulators.

Many stakeholders have roles to play to ensure we are managing our performance. Our staff check their progress to see where their work contributes to the vision for Cambridgeshire. This is sometimes called the 'golden thread' which links our strategic planning and our service delivery.

Our employees, teams and senior leaders all check and report performance:

- Strategic performance management is part of good governance. It involves our Councillors and senior managers considering data and information. They assess whether we are achieving our priorities and take action to improve performance where needed.

- Operational performance management works on a day-to-day level. It enables our teams to assess the effectiveness and efficiency of our services and operations. This then helps us make informed decisions about actions to take.

- Individual performance management ensures we do the things that make the biggest impact for our citizens. Our people work towards corporate, team and individual outcomes.

Our approach to performance management

Holistic, continuous and quality assured

Organisational performance has many dimensions. We take a holistic approach to performance, looking at our impact on society, our citizens, our customers and our people. We know that, to achieve the best impact, we need the right leadership, strategy, planning, people, partnerships, resources and processes. We think of these as our enablers. We examine the cause-and-effect relationships between our enablers and our impact. This is the foundation from which we learn and innovate.

Performance management is a continuous cycle. We collect, analyse and interpret information. We create insights and make judgements to understand the links between cause and effect. Based on this understanding, we take decisions and act on our decisions. Then we collect further data to learn and review.

To be effective, our performance management system must meet quality standards:

- Accessible: our stakeholders can access and understand our performance information.
- Joined Up: our performance information presents the big picture.

- Accountable: we provide relevant information to the right people at the right time.
- Flexible: our performance management system can adapt to a changing environment.
- Value for Money: the cost of our performance management system is proportional to its benefit.

A strong performance management culture

Much of this document focuses on the systems we have developed to help us manage performance. No less important in driving improvement is the culture that underpins our organisation.

Our culture has performance and continuous improvement at its core. Our four values are central to our culture, driving everything we do. Our employees embody these values to help us all work towards a common purpose.

Excellent performance management demonstrates our values by:

- using our resources wisely to deliver on our priorities to the community (demonstrating our value 'Lives Over Services').
- encouraging open, honest and inclusive debate (demonstrating our value 'Collaborative').
- positively challenging why we do things the way we do based on data and evidence (demonstrating our value 'Creative and Aspirational').
- being open and transparent about our outcomes – good and bad (demonstrating our value 'Accountable').

We ensure that our people have the right skills, capabilities and behaviours that enable them to deliver in their role. Our leaders are confident to focus on performance. They create the environments that enable our people to be accountable. Our employees review the services they provide to citizens. They suggest better ways to deliver individual, team and corporate outcomes. Everyone involved in performance management needs data literacy. We are developing training to support our people to engage with data.

We launched a new approach to individual performance management in 2021. Regular and meaningful discussions are at the heart of our approach. All employees meet with their managers to give and receive feedback on performance. The conversations focus on the benefit we are seeking to achieve from service delivery. Our new approach separates out performance related pay discussions from regular conversations. We base pay progression on employees' outcomes and behaviours.

An effective performance management system

Our performance management system comprises roles and responsibilities, a business planning cycle, measurements, communication, reporting and quality assurance.

Roles and responsibilities

Our Strategy and Resources Committee has a central role in our performance management. This committee:

- defines our corporate priorities
- oversees our performance management framework, and
- selects and monitors strategic measures.

Our Policy and Service Committees track the progress of the services they oversee quarterly.

Our management teams monitor performance more frequently. Performance is reviewed at individual, team, service, directorate and Joint Management Team levels. The frequency of consideration of reports and the KPIs that are reported on are dependent on what the management team has responsibility for. Service management teams review more operational indicators more frequently than JMT, which reviews strategic indicators quarterly.

Our Business Intelligence team supports the implementation of all stages of the data to decisions cycle.

The roles and responsibilities of the stakeholders involved in our performance management are set out in Appendix 1.

Business planning cycle

The Council produces a Strategic Framework each year. This is a set of documents that includes the following elements:

- A **Strategic Vision**, describing the Council's long-term vision for Cambridgeshire
- A set of **Corporate Priorities** which drive our work to achieve the vision
- The Council's **Business Plan** which describes how we will allocate resources to deliver these outcomes within the resources we have
- A set of **strategies**, partnership agreement and action plans to deliver these outcomes within the resources
- **Service plans** which describe how each of our directorates work to deliver our business plan objectives and any transformational change
- This **Performance Management Framework** which underpins our performance management and allows us to track progress

Useful measurements

We collect data from several sources, including:

- business systems used in case management
- data that our contractors provide to us
- information about our performance provided by regulators and funders, for example Ofsted and the Care Quality Commission
- surveys of service users or residents

We sort the data into measures called Key Performance Indicators (KPIs). To be useful, our measures need to be relevant, reliable, clear, fit for use and balanced.

We ensure that our measures are relevant by adding and removing them in response to changes to our corporate priorities, strategies and operating models. To ensure correct oversight, relevant Service and Policy Committees approve changes to our KPIs and a formal procedure is followed. This is described in Appendix 3.

We use quality assurance to ensure that our measurements and calculation of indicators are accurate and based on reliable data sources. Our checklist of quality standards is described in Appendix 4.

We present clear performance measures. We collect, sort, analyse and interpret data to produce meaningful information. We seek an optimal number and mix of measurements to support our decision making. Our measures are fit for use by all our stakeholders.

Performance reports may be produced in different templates or on different platforms. Some static reports are produced in Excel. We use Power BI for interactive and dynamic visualisation of information by an individual user. This platform also allows for high frequency updates of reports and data. For example, our Adults and Children's Services dashboards for operational management are updated every day.

Sometimes we use targets, so that we can see when we are off track. But we recognise that there are risks to using targets in the wrong way and take measures to ensure our targets are not causing bias. Not all indicators have targets. This may be because they are being developed or the indicator is being monitored for context. If we are not meeting our targets, we take action to get us back on track.

We ensure there is the right blend of financial and non-financial, and leading and lagging indicators. Lagging indicators measure whether we have reached our goals. Leading indicators help us understand whether we are delivering the activities that will lead to our goals. This helps us work out how confident to be about whether we will achieve them.

Having a comparison available is very useful in interpreting performance indicators. We often use indicators that have a standardised definition for councils across the country. This enables comparison to:

- other similar areas (called 'statistical neighbours')

- similar authority types (other shire counties)
- similar geographies (comparisons with other areas in the East of England)
- national averages in England or UK.

Transparent communication

We commit to being accountable to our citizens. We publish our performance information on public websites and social media, so that people can review our performance.

- Visit the Council section of our website to read our business plan and performance reports. Performance reports are provided to Committees which are published and discussed publicly. These are available on the Council's 'Agenda and Minutes' pages.

- LG inform is the local area benchmarking tool from the Local Government Association. All English councils submit statutory data returns to the Government. This website draws together the data and statistics. This allows comparisons and benchmarking by region, county or district.

- Cambridgeshire Insight is a shared knowledge base for Cambridgeshire and Peterborough. It enables users to access and share information and research for deeper insights about their local area.

- We share information about our performance via social media. This includes our corporate Twitter feed and Facebook page. Councillors also share information on their own social media accounts.

Reporting

Our Policy and Service committees receive and consider performance reports quarterly. Reports contain information about each measure including:

- Current and previous performance and the projected linear trend.
- Current and previous targets.
- Red / Amber / Green / Blue (RAGB) status.
- Direction for improvement, showing whether an increase or decrease is good.
- Change in performance, showing whether performance is improving or deteriorating.
- The performance of our statistical neighbours.
- Indicator description.
- Commentary on the indicator. The commentary adds qualitative information about the service or circumstances the indicator measures. If the indicator is off target, it explains what action is being taken to return to target.

Our Committee meetings are open to the public. We record and publish them on our YouTube channel.

We report on some aspects of educational achievement and social care to Ofsted and the Care Quality Commission (CQC).

We use dashboards to support operational performance management. We are exploring how dashboards could help our citizens and councillors understand our performance information.

Framework quality assurance

Our Joint Management Team and Strategy and Resources Committee review this framework annually, and our Internal Audit team audits this framework periodically. Business Intelligence officers edit and communicate revisions of the framework in response to Audit, Councillor and Director recommendations.

Appendix 1: Roles and responsibilities

All Councillors (Full Council)	• Set corporate priorities and outcomes at annual budget setting meeting of Full Council. • Contribute to the formation and challenge of policies, budget, strategies and service delivery
Strategy and Resources Committee	• Defines corporate priorities and outcomes • Oversees performance management culture and system • Selects and approves addition and removal of strategic KPIs • Reviews and approves Performance Management Framework annually. • Tracks progress against corporate priorities quarterly using strategic KPIs • Considers whether performance is at an acceptable level • Seeks to understand the reasons behind the level of performance • Identifies remedial action
Chairs and Vice Chairs Strategic Forum	• Drives corporate priorities and outcomes • Monitors progress fortnightly
Policy and Service Committees	• Set outcomes and strategy in the areas they oversee • Select and approve addition and removal of KPIs for the committee performance report • Track progress quarterly • Consider whether performance is at an acceptable level • Seek to understand the reasons behind the level of performance • Identify remedial action

Joint Management Team (JMT)	• Responsible for delivering our corporate priorities. • Tracks achievement of corporate priorities, focussing on Strategic KPIs • Monitors and manages performance • Challenges slippage • Agrees actions to overcome problems and changes to timescales
Directorate Management Teams	• Manage performance of their Service as appropriate according to risk and priority • Translate corporate priorities into team outcomes, strategies and action plans • Develop milestones, targets and responsibilities • Ensure staff have the right training and tools • Link team performance to individual performance • Extract and process information from data systems and other sources • Quality assure data and KPIs produced by Directorate Management Teams and external contractors • Ensure that Information Asset Registers are complete and up-to-date • Track progress against service plans • Assess and communicate the impact of services • Analyse and investigate issues, to understand them and identify appropriate remedial action • Report performance to Committees
Audit Team	• Audits Performance Management Framework and KPI Suite annually. • Undertakes sample tests of KPIs

Business Intelligence Team	• Edits and communicates revisions of the framework and KPI Suite • Maintains register of KPIs • Extracts and processes information from data systems and other sources • Quality assures data and KPIs produced by Business Intelligence Team • Supports Directorate Management Teams to produce performance reports for Committee, including technical commentary on suitable indicators and interpretation of trends • Extracts and analyses data in response to performance issues and investigations
All employees	• Identify actions required to achieve priorities and objectives • Identify measures and set targets for achievement of desired outcomes • Identify risks to achieving good performance and manage them • Record data using business systems

Appendix 2: Strategic Key Performance Indicators

We are developing between a manageable number of strategic KPIs to help us quantify our corporate priorities and measure progress. The following is a list of possible indicators, which we will refine in January-March 2022.

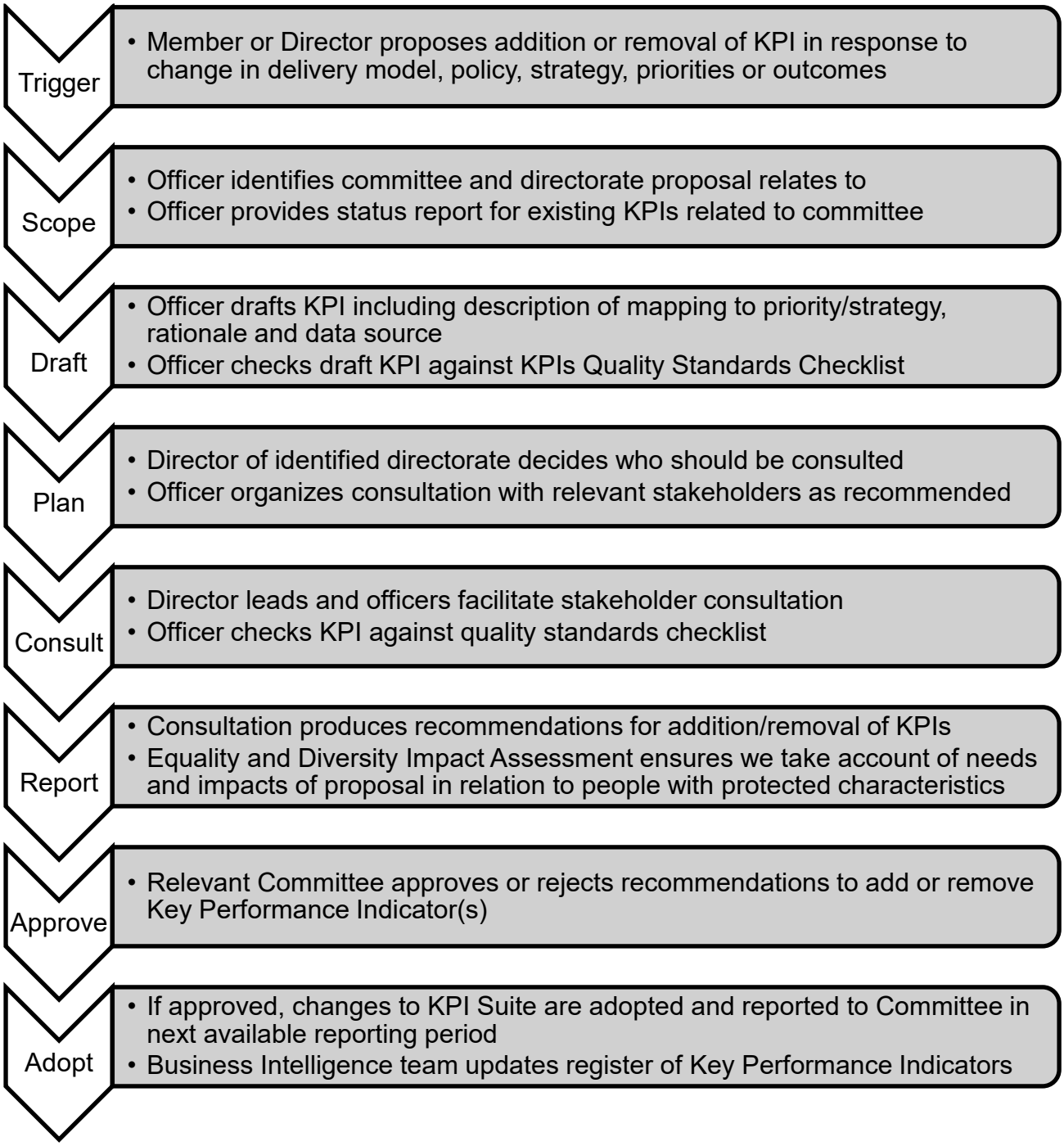
	Strategic KPI	**Mapping to Corporate Priority**	**Rationale**	**Comments / data source**
1.	Council's total carbon footprint, scopes 1, 2 and 3 (tonnes CO2e per year)	Environment and Sustainability	Emissions from Council's own operations	Baseline and net zero projection scenarios. Follows UK Government guidance applied to our own data. Reported annually
2.	Cambridgeshire county-wide carbon footprint (tonnes CO2 per year)	Environment and Sustainability	All greenhouse gas emissions that occur – includes commercial and industrial, domestic, transport, land use change, agriculture and forestry.	National data, for local authority level. Reported annually
3.	Measurement of biodiversity net gain (TBC)	Environment and Sustainability		Data source, target and indicator detail TBC Will need to align with national measurements.
4.	Natural capital	Environment and Sustainability		To be developed, will draw on data from multiple sources
5.	Healthy life expectancy at birth	Health and Care	Aligns to 10 year vision for Health and Wellbeing Strategy	Public Health England Fingertips
6.	Premature mortality	Heath and Care	Aligns to 10 year vision for Health and Wellbeing Strategy	Public Health England Fingertips

	Strategic KPI	Mapping to Corporate Priority	Rationale	Comments / data source
7.	Social care related quality of life	Health and Care	Uses an annual survey to aggregate quality of life amongst long term care package service users. National comparator (ASCOF)	Annual Service User Survey
8.	Carer quality of life	Health and Care	Uses a bi-annual survey to assess quality of life amongst carers. National comparator (ASCOF)	Bi-annual Carer's Survey
9.	Permanent admissions to care homes (18-64 and 65+)	Health and Care	Measures impact of preventative measures to keep people living independently. National comparator (ASCOF)	Local activity data
10.	People who use services and feel safe	Health and Care	Measures whether vulnerable people supported by social care feel safe	Annual Service User Survey
11.	Annual Survey of Hours and Earnings (ASHE) broken down by gender and with comparisons to region and England	Places and Communities	Allows for local geographical comparison and gender inequalities split	Annual salary survey – available April. Cambs Insight
12.	Percentage of people who feel that they have influenced local decision making	Places and Communities	Indicates achievement of priority to shift decisions as close to the places and communities they affect as possible	Requires new bespoke annual survey Precise wording TBC
13.	Number of Universal Credit claimants	Places and Communities	Can be broken down by in/out of work	Regular local data source with lag of 3-4 months

	Strategic KPI	Mapping to Corporate Priority	Rationale	Comments / data source
14.	Community Wealth Building measure	Places and Communities	Various measures are available, consultation needed to select best measure	To be developed
15.	School readiness at EYFS	Children and Young People	National indicator In the Best Start In Life Outcomes Framework	DfE / Education statistics
16.	Number of children with a Child Protection Plan per 10,000 population (aged 0-17)	Children and Young People	National indicator, time series, in the Stronger Families Outcomes Framework	Local activity data and national comparator
17.	KS2 educational attainment	Children and Young People	National indicator	DfE / Education statistics
18.	KS4 educational attainment	Children and Young People	National indicator	DfE / Education statistics
19.	KS4 SEND educational attainment	Children and Young People	National indicator	DfE / Education statistics
20.	Proportion of road in need of maintenance	Transport	Indicator measurement linking to the improvement of assets. This is a headline indicator returned to the Department for Transport in understanding the condition of the road network.	Non-motorised routes measurement to be developed. To be developed in line with national comparator indicators.

	Strategic KPI	Mapping to Corporate Priority	Rationale	Comments / data source
21.	Number of people killed or seriously injured on the roads	Transport	Supports monitoring against the Cambridgeshire and Peterborough Vision Zero target.	Annual measurement. Nationally defined KPI, will need to align with national measurements. Targets and trajectory to net zero target to be included. Non-motorised routes measurement to be developed in line with national comparator indicators.
22.	Modes of transport measurements tbc to include cycling, bus and car use	Transport	Variety of transport modes to be monitored to measure any increases against potential displacement or decreases.	Develop options from national and locally collected survey data. Annually reported. To be developed in line with national comparator indicators.

Appendix 3: Procedure for adding and removing KPIs



Appendix 4: KPIs quality standards checklist

KPIs are produced by the Business Intelligence Team, Services teams and external contractors. This checklist is used for assuring the quality of our KPIs.

KPIs

- Does the KPI measure a relevant priority, strategy or outcome?
- Is there a comparator?
- Are the calculations used to produce the KPI accurate?

Data

- Is the data included in the relevant information asset register?
- Is the data source reliable?
- Is the data sufficiently recent?
- Is a time series available if needed?

KPI Suite

- Is the KPI suite balanced? (leading/lagging, financial/non-financial)
- Does the KPI suite have an optimal number of KPIs to be fit for use?

Presentation

- Is the best template and platform being used, to provide clear and meaningful information for stakeholders?
- Should a target be used?
- If used, is the target appropropriate and not likely to cause bias?

Consultants and Agency Worker Data – Quarter 2 2021/2022 and Quarter 3 2021/2022

To: Audit and Accounts Committee

Date: 31st May 2022

From: Janet Atkin, Assistant Director, HR Services

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

Officer contact:
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1.0 Introduction

1.1 Information covering the Council's usage of consultants, agency workers and interims is presented to Audit and Accounts Committee on a six-monthly basis. This report outlines information on the use of consultants, agency workers and interims in Quarter 2 2021-2022 (July, August, September 2021) and Quarter 3 2021-2022 (October, November, December 2021).

2.0 Reporting on Consultants

2.1 OPUS People Solutions provide information on consultants that have been engaged through them. The Finance team have provided details of consultants paid via invoice and coded to the consultancy code (D4100).

3.0 Quarter 2 (July 2021 to September 2021) Consultant Summary

3.1 There were 2 consultants engaged via OPUS in quarter 2. These are the same 2 consultants that were engaged via OPUS in quarter 1. Details of each of the consultants that have been engaged via OPUS are given in the table below.

Consultants engaged via OPUS Q2 2021/2022			
Area	Output engaged to deliver	Spend in Q2	Ongoing/ended
P&E	Joint Professional Services Procurement	£2,393	Ended
P&E	Development Management Officer (Planning)	£12,861	Ended

3.3 Information on the spending coded to the consultancy code (D4100) is given in appendix A. In Q2 payments were made by invoice to 26 suppliers providing consultancy services – this compares to 29 suppliers in Q1. This is not in itself a significant number considering the size of the Council.

4.0 Quarter 3 (October to December 2021) Consultant Summary

4.1 There was no spend on consultants engaged via OPUS in quarter 3.

4.2 Information on the spending coded to the consultancy code (D4100) in Q3 is given in appendix B. In Q3 there were payments by invoice to 18 suppliers providing consultancy services, this compares to 26 suppliers in the previous quarter. As stated above this number is not surprising considering the Council's size, its diverse range of services and the current working agendas.

5.0 Agency worker/interims data in Quarter 2 (2021-2022) and Quarter 3 (2021-2022)

5.1 Information is also presented to Audit and Accounts Committee on agency spend on a quarterly basis. This spend relates to agency workers and interims (an interim being an individual engaged to cover a senior role on a temporary basis). Information on the amount spent on agency workers/interims in quarter 2 and quarter 3 is given in the tables below.

Period	Total spend on agency workers/Interims	Comparison to spending in the previous quarter	Comparison to spending in these quarters in 2020/2021
Q2 of 2021/2022	£3.50m	Increase of £0.44m compared to Q1 of 2021/2022	Increase of £2.13m when compared with Q2 of 2020/21
Q3 of 2021/2022	£3.24m	Decrease of £0.26m compared to Q2 of 2021/2022	Increase of £1.64m when compared with Q3 of 2020/21

5.2 Spending on agency workers/interims should be considered in the context of our overall workforce costs. Spending on agency workers in Q2 represents 9.4% of workforce costs and in Q3 represents 8.8% of workforce spending.

5.3 We have had significant spend on agency workers engaged by Public Health in Q2 (£742,742) and Q3 (£583,225). These agency workers were engaged to support the organisations ongoing Covid response supporting areas such as the testing programme, contact tracing and outbreak management. There will be a notable decrease in subsequent quarters as much of the activity that required these additional resources has now come to an end.

5.4 The Covid-19 pandemic has resulted in a significant number of employees needing to remain off work while self-isolating or unwell. This has resulted in higher spending on agency workers to cover for absent employees in services where minimum staffing requirements are necessary.

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

6.0 Monitoring Spending

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

Consultants Data Quarter 2 2021/2022 (July, August, September 2021)

Directorate	Spend in Q2 2021-2022	Description	Budget Holder (where recorded)
Place and Economy	938	County Planning, Minerals & Waste- Review of Air Quality and Health Impact Assessments (Medworth Energy from Waste project)	Emma Fitch
Place and Economy	1150	Review and Feedback EU network agreement	Sarah Marsh
Place and Economy	430	Flood projects - Bar Hill surface water alleviation project including compensation event	Hilary Ellis
Place and Economy	17600	Interim Director of Highways and Transport	Stephen Cox
Place and Economy	6336	Fee in relation to Interim Director of Highways and Transport	Stephen Cox
Place and Economy	180	Smart Journeys - Proofreading Alconbury Weild Travel Plan	Polly Williams
Place and Economy	445	Payment to access the Eastern Highways Framework (EHF) for 2021/22 - this cover the procurement and contract management.	Barry Wylie
Place and Economy	850	County Planning, Minerals & Waste - landscape and visual assessment guidance in relation to Medworth Energy from Waste project	Emma Fitch
Place and Economy	2160	Education Advisory services - Monitoring, challenging and support role to local authority maintained Primary schools.	Emma Fuller
Place and Economy	4763	Carbon Assessment Support – Medworth Energy from Waste Facility, Wisbech	Emma Fitch
Place and Economy	16150	Connecting Cambridgeshire Technical Assurance Support	Sarah Marsh
Place and Economy	22050	Setting up Project Assurance Group and introduction of programme management training.	Stephen Cox
People and Communities	1920	Education Advisory services - Monitoring, challenging and support role to local authority maintained Primary schools.	Emma Fuller
People and Communities	41284	Adults Disabilities and Older People's Transport - Transport Planning Services	Martin Kemp
People and Communities	827	Energy Investment Project - Energy Performance Contracting Works	Margaret Pratt
People and Communities	19853	Community Catalysts Project - This is an Adult Social Care pilot which involves recruitment of a community catalyst in East Cambs to support creation and development of Care Micro-Enterprises	Graeme Hodgson
People and Communities	850	Local Safeguarding Board Independant Report Author Fees	Sally Giddins
People and Communities	2495	Delivery of Business and Governance to early years providers in Fenland and East Cambs	Annette Brooker
People and Communities	24679	Local Safeguarding Board - Lead Reviewer/Author	Sally Giddins
People and Communities	845	Design Consultancy and advice (3 x 8 hour days)	Gary Porter
People and Communities	376	Legal Services	Shauna Torrance
People and Communities	3087	Local Safeguarding Board - Independent Scrutineer Fees	Sally Giddins
Public Health	12500	Childrens Vision Screening	Rajalakshmi Lakshman
Corporate Services	1450	1 day consultancy in relation to the CCC Firmstep platform	Christopher Stromberg
Corporate Services	12800	Consultancy relating to the IT Network	Julian Patmore
Greater Cambridgeshire Partnership	27408	Greater Cambridgeshire Partnership - Energy Commission	Deborah Bondi
	223,425		

Consultants Data Quarter 3 2021/2022 (October, November, December 2021)

Directorate	Spend in Q3 2	Description	Budget Holder (where recorded)
Place and Economy	4,500	County Planning, Minerals & Waste- Review of Air Quality and Health Impact Assessments (Medworth Energy from Waste project)	Emma Fitch
Place and Economy	7,200	Adults Disabilities and Older People's Transport, People too project - Phase 1 (initial review) and 2 (solution development)	Martin Kemp
Place and Economy	36,146	Interim Director of Highways and Transport	Stephen Cox
Place and Economy	9,360	Fee in relation to Interim Director of Highways and Transport	Stephen Cox
Place and Economy	4,500	Consultancy in relation to Home to School Transport	Susan Eagle
Place and Economy	24,418	Undertaking a highway condition survey - Surface Condition Assessment for the National Network of Roads (SCANNER) survey to monitor the condition of roads to assist in directing expenditure on road maintenance.	Barry Wylie
Place and Economy	12,588	Connecting Cambridgeshire Technical Assurance Support	Sarah Marsh
Place and Economy	7,114	Setting up Project Assurance Group and introduction of programme management training.	Stephen Cox
Place and Economy	16,245	Undertaking a highways condition survey considering skid resistance carried out on a subset of the highway network.	Barry Wylie
People and Communities	19,853	Community Catalysts Project - This is an Adult Social Care pilot which involves recruitment of a community catalyst in East Cambs to support creation and development of Care Micro-Enterprises	Graeme Hodgson
People and Communities	1,287	Final evaluation report of project to deliver archives outreach to primary schools and residential homes	John Akeroyd
People and Communities	213	Local Safeguarding Board Independant Report Author Fees	Sally Giddins
People and Communities	9,194	Local Safeguarding Board payment for undertking case review	Sally Giddins
People and Communities	3,087	Local Safeguarding Board - Independent Scrutineer Fees	Sally Giddins
People and Communities	9,450	Strengthening Communities Service - Local Council Conference Remote Event Platform	Elaine Matthews
Coporate Services	30,000	Consultant Review of This Land	John MacMillan
Coporate Services	12,800	Consultancy relating to the CCC IT Network	Julian Patmore
Business Improvement and Development	17,975	Business Plan Consultation: 2021 Public Survey undertaken for the Business Intelligence Service	Thomas Barden
	225,928		

Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 31st May 2022

From: Director of Resources & Chief Finance Officer

Electoral division(s): All

Purpose: Debt Collection Update

Key Issues: The Committee were seeking regular updates on the progress of Debt Management

Recommendation: The Committee is asked to:

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

b) Agree that a further update will be provided on the position at the end of 2022/23

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Member contact:
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1. Background

The purpose of this report is to provide an update on current debt management position following on from the previous report submitted in July 2022.

2. Performance

2.1 Overall Debt position

The current debt position is £17.5m, which represents a reduction of £4.8m from the last Audit committee meeting during June 2021.

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

Overall Age Debt Position - By Directorate

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

	OverDue			Trend Performance	
Directorate	Current Month	Previous Month	Last Audit Meeting	Monthly	Last Audit Meeting
Corporate Services	£537,913	£1,095,502	£1,898,636	↑	↑
NHS Cambs and Pboro CCG	£1,862,822	£4,877,761	£5,683,450	↑	↑
People & Communities - ASC	£13,334,971	£13,862,463	£11,564,091	↑	↓
People & Communities - C&CS	£41,030	£40,578	£58,841	→	↑
People & Communities - CYP	£493,494	£447,252	£561,957	↓	↑
People & Communities - EDUC	£581,803	£677,705	£649,766	↑	↑
Place & Economy	£1,849,215	£2,682,426	£3,163,569	↑	↑
Public Health	-£82,552	£784,412	£6,082	↑	↑
Unapplied	-£1,113,393	-£2,320,646	-£1,303,085	↑	↑
Grand Total	**£17,505,301**	**£22,147,453**	**£22,283,307**		

Overall Age Debt by - Debt Status

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

	OverDue			Trend Performance	
Debt Status	Current Month	Previous Month	Last Audit Meeting	Monthly	Last Audit Meeting
Automated Dunning Cycle	£8,197,329	£10,616,953	£1,334,252	↑	↓
Awaiting Appointee / Court of Protection / Power of Attorney	£1,800,090	£1,906,534	£1,226,039	↑	↓
Awaiting Service Response	£2,242,735	£3,514,029	£7,059,218	↑	↑
DCA Action - Ongoing	£49,756	£50,935	£12,400	↑	↓
Debt Team Dealing	£328,751	£328,990	£1,091,539	→	↑
Deceased - Pending Probate / Settlement of Account	£3,580,110	£3,489,725	£3,324,194	→	↓
Full Cost Non-Disclosure	£419,107	£565,157	£0	↑	New Category
Income Team Dealing	£573,058	£626,564	£796,101	↑	↑
Legal Action - Ongoing	£528,678	£529,556	£626,120	→	↑
Payment Plan	£1,052,440	£1,156,159	£1,140,352	↑	↑
Pending Write-off	£71,382	£305,886	£242,964	↑	↑
Pre Dunning Cycle / Unallocated Cash	-£1,804,237	-£1,407,976	£5,207,592	↓	↑
Secured Property Charge	£466,103	£464,941	£214,480	→	↓
Unapplied Credit	£0	£0	£8,055	Old Category	↑
Grand Total	**£17,505,301**	**£22,147,453**	**£22,283,307**		

Please note that this table is in line with our new reporting pack implemented in April 2021, we are therefore not able to provide a yearly Directorate or Debt Status comparison so have baselined the figures to those presented at the last Audit Committee meeting.

The high-level total however for March 2021 was £23,668,514 which indicates a year-on-year improvement of £5.2m

As shown above the majority of the movement is through a reduction in NHS (Clinical Commissioning Group CCG) debt by £3.8m as a result of work undertaken by Finance and the CCG during 2021/22 as detailed in section 2.2 below.

Adult Social Care debt has within the same period increased by circa £1.8m with the bulk of such increase £1.5m in relation to the increased timeframe now being experienced in the completion of some formal processes such as Court of Protection (COP), Power of Attorney and settlement of clients estates, such delays are outside of the Councils control, and as shown below cases pending COP alone stand at £1.1m, compared to £740k in June 2021. There is also an assumption that there has been an impact from the pandemic and customer's ability to pay.

Delays in COP is a national problem, where response times have increased from 16 weeks to circa 12 months. Research has shown the delays are also impacting private solicitor firms and not just Local Government. The delays are also impacting mental capacity tests, where in many cases the assessments are having to be duplicated as period since the original completion is a year ago and therefore the client's capacity may have changed in that timeframe.

The table below shows the main areas of increase in ASC Debt:

Debt Status	P12	P3	Movement	Adjustment for trans > £10k with no CC	Total Movement
Court Of Protection - Internal	£1,097,358	£740,320	£357,038	£152,601	£509,639
DECEASED - Dunning suspended	£3,420,105	£3,169,448	£250,657		£250,657
DISPUTE - Service Delivery in Dispute	£491,673	£229,810	£261,862		£261,862
Power of Attorney - Internal	£636,287	£357,538	£278,750		£278,750
Secured Property Charge	£451,813	£200,190	£251,623		£251,623
Client Funds Pending				£199,620	£199,620
Grand Total	**£6,097,236**	**£4,697,306**	**£1,399,930**	**£352,221**	**£1,752,151**

Additional actions are being taken to support collection of the lower value debt, and to assist we have secured additional funding to temporarily increase resource within the team by 1 FTE in order to more proactively chase the debt, working alongside the financial advisory team and operational colleagues in the People & Communities directorate.

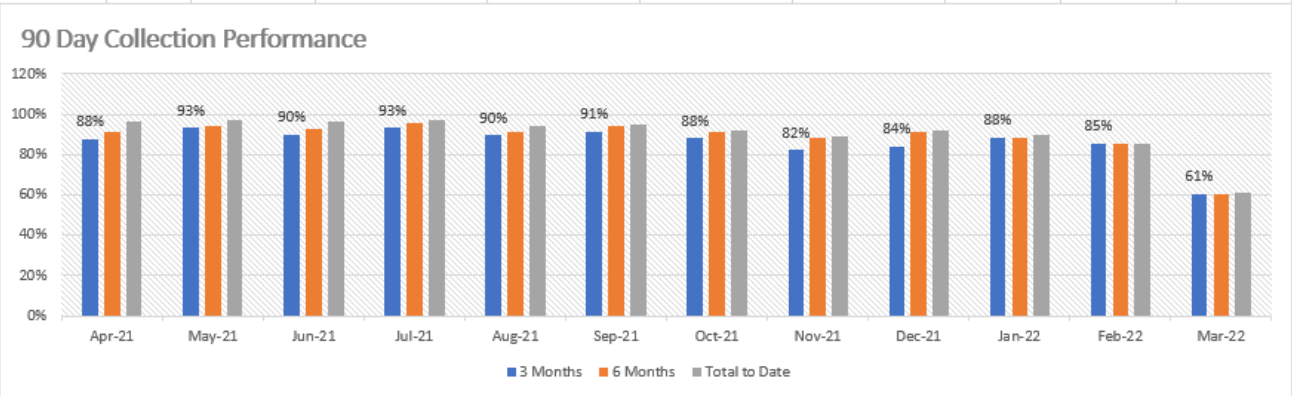
2.2 CCG Update

The current outstanding debt with the CCG is approximately £1.9m, down from £5.6m reported previously to committee.

Work with the CCG to reconcile payments owed pre 2020 has concluded and all CCG debt pre-1st April 2020 has now been cleared. Further work continues to clear all outstanding debt post April 2020 as we move towards the date at which the CCG will cease to exist in summer 2022, and the new Integrated Care Systems will come into effect.

2.3 Collection Rates

The table below shows the in-year collection performance for 2021/22:



Combined 90 Day Performance

				Income Collected [£]			Performance - % Collected		
Financial	Period	Number of	Invoiced	3 Months	6 Months	Total to Date	3 Months	6 Months	Total to
2021/22	Apr-21	5,071	12,060,115	10,558,076	11,019,460	11,577,122	88%	91%	96%
	May-21	5,081	17,708,108	16,500,729	16,680,464	17,141,764	93%	94%	97%
	Jun-21	6,493	24,481,873	22,045,847	22,693,593	23,655,986	90%	93%	97%
	Jul-21	7,708	26,977,131	25,098,543	25,885,851	26,243,286	93%	96%	97%
	Aug-21	4,517	11,150,356	9,989,621	10,186,327	10,534,466	90%	91%	94%
	Sep-21	7,394	20,581,576	18,817,752	19,424,428	19,558,509	91%	94%	95%
	Oct-21	6,392	15,262,099	13,445,942	13,937,666	14,068,202	88%	91%	92%
	Nov-21	5,308	9,367,505	7,703,032	8,263,857	8,326,790	82%	88%	89%
	Dec-21	5,311	11,378,388	9,554,132	10,408,998	10,443,841	84%	91%	92%
	Jan-22	5,489	11,404,862	10,090,483	10,090,483	10,198,891	88%	88%	89%
	Feb-22	5,479	15,430,302	13,172,260	13,172,260	13,219,332	85%	85%	86%
	Mar-22	5,272	61,072,458	37,034,323	37,034,323	37,088,372	61%	61%	61%

The above collection rates show that performance in terms of revenue secured remains high with an average of 94% being secured during the first ten months of the financial year. The reduction in later months is attributed to reduced timeframe that the Debt Team has had to secure payment following query / dispute resolution, and with the majority of charges raised during March not due for payment until after the reporting period had closed on the 31st March 2022. These figures will increase over the proceeding period through further planned recovery activity.

Recovery actions taken by the Debt Team to secure payment during the last twelve months has kept write-offs low at £868k, which represents just 0.37% of the revenue raised during the same period which totalled £236.9m.

3. Service Improvements

The Debt Improvement Plan continues to progress since attendance at the July 2021 Audit Committee. The initial plan included 24 items for improvements, which has since increased to 26.

A number of the items identified for improvement have been delayed due to ERP development freeze and the implementation of the Future Northants Programme, where CCC share an accounting and enterprise resource management system with four partners. Six improvements have been implemented to date, with the remainder of changes at various stages depending on where they sit in terms of pending system configuration / development changes by Business Systems or the software provider.

3.1 Improvements since last reporting period:

3.1.1 Improved Collections Policy

A new Collections Policy was rolled out in April 2022. This policy outlines the principals of debt managements and the responsibilities of budget holders, including:

- Debt code of practice
- Key principals of bad debt write offs
- Principals of payment plans
- Roles and responsibilities
- Internal SLAs in respect of the resolution of queries and disputes.

In addition to the detailed Income Collection Strategy, a shorter edition has also been published as it is recognised that the full detailed policy is not necessarily required by those staff that have a very limited role within the overall process. It is hoped that this will increase awareness across the council in respect of the sound principles to follow.

3.1.2 Implementation of debt portfolios

Debt portfolios are now embedded within the Debt Team. This provides management the ability to monitor performance and provide statistics to support the impact of recovery by various methods, such as phone calls, emails and letters to customers.

3.1.3 Reduction in invoices sent via post

Analysis was performed in November 21, where it was identified that 76.79% of all invoices were sent out via post. This is not only a cost to the Council but also inefficient, particularly with sundry debt where most customers will have the ability to receive invoices via email.

During Q4, a resource was introduced to the team to actively gather email addresses by contacting customers, commencing with maintained Schools and Academies.

The exercise is proving successful, with a 10.19% reduction in invoices sent out by post. When the activity was baselined, 42.57% of Schools invoices were sent out via paper, this has now reduced to 0.90% and the direct contact has been received positively.

Work continues in this area and discussions have commenced within Adults Social Care to look to improve the level of invoices sent via email to customers. This needs to be managed through close working with the Adult Social Care management team due to the nature of the customer base.

Printed and Posted percentages by Customer Group.

	May-22	Nov-21
Commercial	26.20%	43.23%
County Farms	18.30%	79.79%
Individuals	59.70%	75.40%
Managed Schools	0.90%	42.57%
Adult Social Care	84.20%	86.27%
All	66.70%	76.79%

3.1.4 Improved Debt Recovery Letters in Adult Social Care

New recovery letters were scoped out and agreed with Adult Social Care in Q3 of 2021/22, where statement style reminder letters will be sent to customers. Currently reminder letters are sent at invoice level, where the customer does not have the full view of any debt that is owed.

The new format of these letters will present the customer with a statement of their debt, so that they are more informed, therefore supporting improved customer service and also efficiency for the debt team.

The letters are aimed to be rolled out during June 22. Changes were delayed due to system development freeze and change in ERP functionality required to produce new style letters.

3.1.5 Complaint codes at account level

When the current ERP system was configured complaint codes were configured to work at transactional level. The resources to maintain and update codes as part of the recovery process can be time consuming and ideally complaint codes would function at the customer level with the ability to override at transactional level where necessary.

Workaround has been developed and implemented to enable for complaint codes to be created or updated on mass, thereby reducing the operational resources spent on this activity.

3.1.6 Improve Self Service

Both the Debt and Adult Social Care teams have been provided with enhanced system access to improve self-service and reliance on internal teams. This in turn provides improved customer service through first contact resolution to customers.

3.1.7 Billing accuracy

Work continues on the accuracy of billing. Working in collaboration with Finance, various communications have been sent to budget holders to ensure that invoices are raised correctly, including a valid Purchase Order where appropriate.

The new Income Collections policy recently introduced as mentioned above should also help in this area as it provides clear principles that should be followed when raising or collecting invoiced income.

In addition, the Debt team are undertaking data cleansing which has identified a number of duplicate accounts, which are being managed appropriately to reduce impacts going forward.

3.1.8 Debt Reporting Pack

Although the revised reporting was introduced during April 2021, there have been several enhancements made during the year to provide further analysis in respect of debt including age bracket movement analysis and individual summaries in respect of Adult Social Care who are one of the largest stakeholders in terms of volume and aged debt. This enables focus on key areas within the debt process and concentrated work with divisions.

This report is circulated to Finance Business Partners as well as service leads within Adult Social Care. Additionally, the report is discussed during service review meetings to address areas of concerns, leading to key actions being taken to address.

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

Agenda Item No: 14

Draft Annual Governance Statement 2021-2022

To:	Audit & Accounts Committee
Date:	31st May 2022
From:	Head of Internal Audit and Risk Management
Electoral division(s):	All
Purpose:	This report presents the draft Annual Governance Statement (AGS) for 2021 - 22 for consideration by the Audit and Accounts Committee. The final version will be signed off by the Chief Executive and the Leader of the Council.
Recommendation:	Audit & Accounts Committee is requested to consider if the draft AGS at Appendix A is consistent with its own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2.

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1.0 Purpose

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

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

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

2.0 Background

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

- A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
- A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace *Delivering Good Governance in Local Government* Framework.
- Self-assurance statements prepared by directors and input from the Cambridgeshire Corporate Leadership Team;
- The Head of Internal Audit's opinion on the Council's internal control environment, which will also be reported to the Audit & Accounts Committee on 31st May 2022.

3.0 The Annual Governance Statement

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

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

3.2 ‘Significant Governance Issues’ are those that:

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

4.0 Recommendation

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

Source Documents

Director Assurance Statement Returns
Cambridgeshire County Council Code of Corporate Governance

Location: New Shire Hall

Cambridgeshire County Council

Contents of the Annual Governance Statement 2021/22

1. Background and Scope

1.1 Scope of Responsibility
1.2 The Purpose of the Governance Framework
1.3 Key Elements of the Council's Governance Framework

2. Review of Effectiveness

2.1 Approach and Scope for the Review of Effectiveness
2.2 Review of Effectiveness
- i. Council Planning
- ii. Performance Management
- iii. Executive Decision-Making and Scrutiny
- iv. The Audit & Accounts Committee
- v. Statutory Officers
- vi. Management
- vii. Internal Audit
- viii. Review of Internal Audit
- ix. External Audit
- x. Risk Management

3. Conclusions and Approval

3.1 Key Governance Developments in 2020/21
3.2 Significant Governance Issues
3.3 Future Governance Considerations
3.4 Conclusions
3.5 Leader of the Council and Chief Executive Statement

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Cambridgeshire County Council

1. BACKGROUND AND SCOPE

1.1 SCOPE OF RESPONSIBILITY

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

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

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

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

1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the Annual Report and Statement of Accounts.

1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

ANNUAL GOVERNANCE STATEMENT

Cambridgeshire County Council

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

Leadership and Decision-Making:

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

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

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

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

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

Monitoring the Achievement of Objectives:

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

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

Oversight and Scrutiny:

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

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

- There are embedded arrangements for whistleblowing under the Public Interest Disclosure Act, as well as routes for raising other types of concerns including safeguarding, information security and employment concerns. There are policies in place for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

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

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

2. REVIEW OF EFFECTIVENESS

2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

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

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.

- The Head of Internal Audit and Risk Management's annual reports.

- Comments made by external auditors and other review agencies and inspectorates.

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

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.

- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.

- The annual report and opinion on the internal control environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2021/22 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.

2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. The Council's Committee structure and Constitution underwent some significant changes following the local elections in May 2021. This report reflects the structures in place during the 2021/22 financial year and highlights any subsequent changes.

Additionally, it should be noted that the Council's operations in 2021/22 and onwards have continued to be impacted by the ongoing Covid-19 pandemic. The effects of this are highlighted where relevant throughout the report and in summary at Section 3, below.

i. Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Corporate Strategy and Budget. 2021/22 represented the first year of the new political term and there is a commitment to further develop the Council's corporate strategy during the coming months.

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

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Corporate Strategy and Budget was approved by Full Council in February 2022. The budget adopted has reset the medium-term financial strategy to reflect the spending position as a result of the pandemic.

ii. Performance Management

The Council refreshed and updated its approach to performance management in 2021/22, with a new Performance Management Framework approved by Strategy and Resources Committee on 27th January 2022 and by Full Council on 8th February 2022 as part of the business planning process.

As a result of this update, Strategy and Resources Committee will have central oversight of the framework and will monitor a strategic set of Key Performance Indicators (KPIs) consisting of 15-25 indicators, while Policy and Service Committees will monitor their own KPIs relating to their areas of oversight. The report taken to Strategy and Resources Committee and Full Council

included draft strategic KPIs; both the Policy and Service Committee KPIs and the strategic KPIs will be developed and formally approved following approval of the new Framework.

Due to the development of the new Performance Management framework and the development of a new strategic framework, reporting on the former suite of KPIs was paused during the 2021/22 year, with Policy & Service Committees receiving an update on progress with the new framework and a prompt to consider the development of their own KPIs in late 2021. The Business Intelligence service has been supporting directorate management teams to carry out workshops to develop KPIs with Policy and Service Committees during Q1 2022-23.

The Council produces an Integrated Finance Monitoring Report (IFMR) for the Corporate Leadership Team on a monthly basis. IMFRs are also presented regularly to meetings of the Strategy and Resources Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees. In 2021/22, IFMRs have included a section specifically highlighting the financial impact associated with managing the implications of the coronavirus pandemic, including loss of income.

iii. Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's five cross-party Policy and Service committees and the Strategy and Resources Committee, which has an overarching and co-ordinating role and has authority for oversight, operation and review of Corporate Services.

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

iv. The Audit and Accounts Committee

In line with its Terms of Reference, 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 and Accounts Committee.

The Audit and Accounts Committee met regularly during 2021/22, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

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

v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, Section 151 Officer, Director of Public Health, Director of Children's Services and Director of Adult Social Services were effectively fulfilled during 2021-22 and up to the date of this report.

Cambridgeshire County Council's Chief Executive undertakes the statutory role of the Head of Paid Service. At the start of 2021–22, the Council had a shared Chief Executive with Peterborough City Council. Following the announcement of the existing Chief Executive's intention to retire from the joint role, Cambridgeshire's Staffing and Appeals Committee resolved to seek a separate Chief Executive for Cambridgeshire County Council in August 2021. The new Chief Executive was appointed by Full Council on 9th November 2021 and took up post on 21 February 2022.

After the former Chief Executive retired in December 2021, the Council's Director of Business Improvement and Development temporarily acted up to the role of Chief Executive until the new Chief Executive took up the post on 21st February 2022, covering the duties of the Head of Paid Service on an interim basis.

vi. Management

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

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

Where directors identified key issues or particular areas of governance as part of their self-assurance statements, this feedback has been incorporated into the conclusions at Section 3 of this report.

vii. Internal Audit

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

The Head of Internal Audit provided his annual report to the Audit Committee on 31st May 2022. The report outlined the key findings of the audit work undertaken during 2021/22, including areas of significant weakness in the internal control environment.

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Cambridgeshire County Council

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

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2021/22, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

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

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2021/22 financial year, a satisfactory assurance opinion has been reached.

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2021/22 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the Internal Audit Annual Report, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*
- *The reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems;*
- *The continuing, positive, organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*
- *Contract management remains a key area of focus for Cambridgeshire County Council and this has been reflected in the Internal Audit plan and work completed throughout the year. A number of initiatives to improve contract management in key areas are due for implementation during the 22/23 financial year.*

The opinion of satisfactory has reduced from last year's 'strong satisfactory' because of a current known issue with payroll control accounts. This is covered in more detail in sections 4.2.3 – 5 of the Internal Audit Annual Report.

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

- *Neil Hunter, Head of Internal Audit and Risk Management*

The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee on 31st May 2022.

viii. Review of Internal Audit

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

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the most recent external review of the Cambridgeshire team took place in the 2017/18 financial year, at the time of writing an external review against PSIAS requirements is currently underway and is being undertaken by Peterborough City Council's Head of Internal Audit.

ix. External Audit

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

In November 2021, the Audit & Accounts Committee received a report on the Value for Money opinion from the previous external auditor relating to the financial year 2017/18. The auditor issued a modified opinion on an "except for" basis. In responding to their report, the Council accepted findings relating to procurement breaches in 2015 and 2016 and reported to the Committee on progress made since the findings were first identified, as well as highlighting this to Full Council.

x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures, which were completely revised and updated in 2021/22. In February 2022, a comprehensive review of the Corporate Risk Register was undertaken by CLT, and the refreshed Corporate Risk Register was presented to Strategy and Resources Committee on 29th March 2022.

During 2021/22, Cambridgeshire's Corporate Leadership Team and Directorate Management Teams formally considered risk on a regular basis.

The Internal Audit Plan for 2022/23 presented to the Audit and Accounts Committee in March 2022 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 2022/23.

3. CONCLUSIONS AND APPROVAL

3.1 KEY GOVERNANCE DEVELOPMENTS IN 2021/22

Where key governance processes or developments in the 2021/22 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

i. Local Government Association Corporate Peer Challenge:

In July 2021, Cambridgeshire County Council undertook a Local Government Association (LGA) Corporate Peer Challenge. The LGA Peer Challenge report presented 11 key recommendations and 5 further shared services recommendations to help the Council improve and develop, and these were adopted into an Action Plan that was presented to Strategy and Resources Committee in September 2021.

The Peer Challenge Team revisited the Council in March 2022 to carry out the LGA's 'Check-in' process, which is a follow up visit to review progress against the agreed action plan and impact of the Peer Challenge visit and report. A letter reporting on the outcomes of the visit was shared with Strategy and Resources Committee.

ii. Ofsted Focused Visit:

Ofsted launched the Inspection of Local Authority Children's Services (ILACS) framework in 2017, setting out a framework of inspections/focused visits which assess the effectiveness of local authority services and arrangements to help and protect children, the experiences and progress of children in care wherever they live, including those children who return home, the arrangements for permanence for children who are looked after, including adoption, and the experiences and progress of care leavers. Under the inspection framework, a local authority will receive either a judgement inspection or a focused visit once a year, based on a three-year cycle.

Cambridgeshire County Council last received a judgement inspection in January 2019, followed by a focused visit in March 2020 and another in April 2022. The report from the April focused visit is available on the Ofsted website with full details of their findings. A report on the content of the most recent ILACS focused visit was shared with Members in April, and briefings provided to the Chair and Vice Chair of the Children and Young People's Committee. As this was a focused visit rather than an inspection, there is no requirement for publication of a full action plan; however, the service is planning to develop a new workforce strategy in response to the findings, and an update on this along with a general progress update will be presented to Children and Young People Committee in due course.

iii. Adult Social Care Peer Challenge:

Each year, Adult Social Care Directors submit a self-assessment to the regional Association for Directors of Adult Social Services (ADASS) as part of the sector-led improvement cycle. The self-assessment requires the Council to identify strengths and risks against 25 themes providing a commentary for each.

This process was delayed due to the coronavirus pandemic, and Cambridgeshire County Council submitted a self-assessment on 31st March 2021 which covered the previous 18 months. Subsequent to this, the Council met with a former Director, Andrew Cozens, for an external challenge session in August 2021 and took part in a regional challenge event in September 2021. The outcomes of the self-assessment process were reported to the Adults and Health Committee in December 2021, along with the 'Local Account' 2019 – 21, the Council's annual public statement about its adult social care services.

This report to Committee highlighted key achievements of the service and its response to the Covid-19 pandemic, along with key challenges and areas for improvement, and a summary of the service's action plan in response to the self-assessment.

iv. This Land

In January 2022, the Strategy and Resources Committee received a detailed report from an external reviewer of This Land, Cambridgeshire County Council's wholly owned property development company. Their report has enhanced the wider understanding of the company, and therefore the Council's risk exposure, and is leading to improved controls. Recommendations made by the external reviewer and accepted by the company were reported to the January meeting of Strategy & Resources Committee. Updates on progress with implementing these actions were brought to the March 2022 Strategy and Resources Committee and will continue to be brought to the Committee in the new financial year.

3.2 SIGNIFICANT GOVERNANCE ISSUES

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

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

- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

The Covid-19 pandemic has represented a very significant challenge for the authority in 2021/22 and to date, impacting on the authority's financial position and its ability to deliver planned objectives, as well as creating additional new responsibilities for the Council.

Moving forward, the newly formed UK Health Security Agency (UKHSA) is expected to take the lead on all Health Protection functions, including those related to Covid-19. It is important to note that due to the ongoing national discussions regarding future of health protection, new Integrated Care System (ICS) structures, staffing reductions in UKHSA and low vaccination uptake in parts of the population, there remain significant ongoing local risks associated with the pandemic.

The Contain Outbreak Management Fund (COMF) was provided to local authorities to provide financial support for local test, trace and contain activity during the pandemic, and Cambridgeshire County Council has retained some of this funding for 2022/23, which we can use to mitigate these risks. However, recruitment and retention of staff is likely to be difficult for these posts, which are of approximately 6-9 months duration. There are ongoing governance risks regarding the COMF budget which the organisation will need to manage, ensuring that COMF spend is in line with the conditions of the grant.

It is noted that the UK Government's Covid-19 Public Inquiry will be taking place in 2022/23, examining the UK's preparedness and response to the Covid-19 pandemic, and to learn lessons for the future. The Council is likely to be asked to give evidence to the enquiry.

On the 25th February 2022, the outcome of a Code of Conduct investigation report into the conduct of a former senior councillor in relation to issues concerning Manor Farm in Girton wase reported to the Constitution and Ethics Committee. The governance issues involved attracted significant public attention and publicity. The Constitution and Ethics Committee resolved to refer the investigation findings to the Strategy and Resources Committee with a request that it establishes a programme of action to resolve any underlying or corporate issues arising from the report's findings in order to prevent a recurrence.

Following the recommendations of the LGA Corporate Peer Challenge, the Chief Executive has agreed with all Group Leaders to commission the Centre for Governance and Scrutiny to review the effectiveness of the current committee system and scrutiny arrangements. As set out in the Peer Review Action Plan, the Council has committed to take action to recalibrate member roles, behaviours and conduct and Member training, development and ongoing support has been arranged with support from the LGA. Progress with this action continues to be updated and monitored at meetings of Strategy and Resources Committee.

3.3 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and uncertain and constrained levels of Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's Corporate Strategy and Budget is reflective of these pressures, and is subject to annual review, to ensure

the major financial pressures facing the Council can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is also noted that the invasion of Ukraine by Russia, along with Government sanctions on Russian goods and services, and ongoing counter pandemic measures elsewhere in the world, is creating further unprecedented impacts on both the supply and cost of key construction materials, and inflationary pressures on labour and fuel. Advanced ordering of major equipment has sheltered the Council from exposure for some costs; however, not all exposure to price volatility can be managed in advance, in particular with SME (small to medium size enterprise) suppliers. This is an emerging governance consideration for the Council as a whole, and particularly for services managing capital projects.

The Council is also mindful that further developments in the ongoing coronavirus pandemic may result in future significant governance impacts on the authority.

In May 2019, Cambridgeshire County Council declared a Climate and Environment Emergency, and in 2022 launched its new Climate and Environment Strategy. Investment in 'Net Zero' initiatives to reduce carbon emissions by the Council and Cambridgeshire communities takes the Council into newer and more novel areas of activity. Learning from this, the Council needs to ensure there are appropriate procedures and sufficient internal expertise to effectively manage contractual arrangements.

The Council's accumulated deficit for Dedicated Schools Grant (DSG) High Needs Block will grow to £40m by 1st April 2022. Currently, Cambridgeshire benefits from the statutory override for DSG High Needs Block deficits, recording these as a negative reserve. These regulations are currently due to expire in 2023. At the budget meeting in February 2022 the Council created an earmarked reserve to offset the growth in the deficit during the 2021-22 financial year, however there is risk that further sums will need to be found by the Council to address the substantial accumulated deficit. The Council has been invited to participate in the 'safety valve' programme by the Department for Education, which aims to aid authorities with high percentage DSG deficits to reform their management of high needs systems. This will continue to be a significant area of focus for the authority.

Following the Council's withdrawal from the former LGSS partnership arrangements, Service Level Agreements and service plans are in the process of being developed and agreed for services moving to the Lead Authority model, with Finance Operations plans being agreed by the Lead Authority Board in April 2022. An issue with payroll control account reconciliations has been identified, and as Payroll is delivered under the Lead Authority model, the Council is working with partner authorities to develop an action plan to establish the extent of the issue and agree actions to rectify this.

More generally, following the LGA Peer Review, Cambridgeshire County Council has worked to review all its shared services arrangements, and the new Chief Executives in Cambridgeshire and Peterborough City Council have been discussing shared service models and priorities with their respective Administrations and corporate leadership teams. As a consequence of this review, the future shared services arrangements between the two authorities will be redefined and organisational structural changes to Cambridgeshire's senior leadership arrangements will be consulted upon and implemented during the 2022/23 financial year.

3.4 CONCLUSION

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

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the S151 / Chief Financial Officer in Local Government.

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

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

3.5 LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

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

Councillor Lucy Nethsingha
Leader of the Council

Dr Stephen S. Moir
Chief Executive

Councillor Graham Wilson
Chair of the Audit and Accounts Committee

July 2022

Internal Audit Annual Report 2021-2022

To:	Audit & Accounts Committee
Date:	31st May 2022
From:	Head of Internal Audit & Risk Management
Purpose:	The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit & Accounts Committee. This is reflected in the terms of reference of the Authority's Audit & Accounts Committee. The purpose is for Audit & Accounts Committee to consider the Annual Internal Audit Report for 2021 – 22 and be made aware of the Head of Internal Audit & Risk Management's opinion on the state of the Internal Control Framework within Cambridgeshire County Council.
Key issues:	The Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2021 – 22.
Recommendation:	Audit & Accounts Committee is requested to review and comment on the Annual Internal Audit Report.

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Cambridgeshire County Council

INTERNAL AUDIT & RISK MANAGEMENT

ANNUAL REPORT

2021/22

Cambridgeshire County Council

HEAD OF INTERNAL AUDIT & RISK MANAGEMENT May 2022

Internal Audit & Risk Management
Annual Report 2021/22

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1. INTRODUCTION

1.1 The Annual Reporting Process

1.1.1 The Public Sector Internal Audit Standards (PSIAS) (Performance Standard 2450) state that the Chief Audit Executive (CAE) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement (AGS) that forms part of the Council's official accounts. Cambridgeshire County Council's Chief Audit Executive is the Head of Internal Audit & Risk Management.

1.1.2 The annual report is required to incorporate: the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE OPINION 2021/22

2.1 Chief Audit Executive Opinion

2.1.1 The annual opinion of the Chief Audit Executive (CAE) must be based on an objective assessment of the framework of governance, risk management and control and include an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

2.1.2 My opinion is derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. This assessment has taken account of the relative materiality of these areas, and management's progress in addressing control weaknesses.

2.1.3 Public Sector Internal Audit Standards (PSIAS) also require the CAE to confirm that the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion. Internal Audit operates independent of the organisation, as per the Internal Audit Strategy and Charter, and there have been no compromises of Internal Audit's independence in its operation this year. I can also confirm that the service was compliant with PSIAS requirements (see Section 6, below, for more detail).

On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2021/22 financial year, a satisfactory assurance opinion has been reached.

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2021/22 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of this report and at Appendix A, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

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

- *The reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems;*

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

- *Contract management remains a key area of focus for Cambridgeshire County Council and this has been reflected in the Internal Audit plan and work completed throughout the year. A number of initiatives to improve contract management in key areas are due for implementation during the 22/23 financial year.*

The opinion of satisfactory has reduced from last year's 'strong satisfactory' because of a current known issue with payroll control accounts. This is covered in more detail in sections 4.2.3 – 5 of this report.

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

- *Neil Hunter, Head of Internal Audit & Risk Management*

3. REVIEW OF INTERNAL CONTROL

3.1 How Internal Control is Reviewed

3.1.1 In order to support the annual Internal Audit opinion on the internal control environment, Internal Audit continually updates a risk-based Audit Plan. This Plan includes a comprehensive range of work that is prioritised and completed to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

3.1.2 The changing public sector environment and emergence of new risks means that best practice necessitates a flexible approach and re-evaluation of the Audit Plan throughout the year. In 2021/22, revisions to reflect the changing risk profile of the organisation were approved, on an ongoing basis, throughout the year by CLT and the Audit and Accounts Committee. This approach ensures that work completed is sufficient to give an evidence-based opinion over the control environment for the year.

3.1.3 Every Internal Audit review has three key elements. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables Internal Audit to give an assurance on the control environment.

3.1.4 However, controls are not always complied with, which will in itself increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This enables Internal Audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

3.1.5 Finally, where there are significant control environment weaknesses or where key controls are not being complied with, further substantive testing is undertaken to ascertain the impact these control weaknesses are likely to have on the organisation's control environment as a whole.

3.1.6 Three assurance opinions are therefore given at the conclusion of each audit: control environment assurance, compliance assurance, and organisational impact. To ensure consistency in reporting, the following definitions of audit assurance are used, which were updated at the meeting of Audit & Accounts Committee on 28th September 2021:

Control Environment Assurance	
Level	**Definitions**
Substantial	There are minimal control weaknesses that present very low risk to the control environment.

Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Level	**Definitions**
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

3.1.7 Organisational impact will be reported as major, moderate or minor (as defined below). All reports with major organisational impact are reported to CCLT, along with the agreed action plan.

Organisational Impact	
Level	**Definitions**
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

3.2 The Basis of Assurance

3.2.1 The findings and assurance levels provided by the reviews undertaken throughout 2021/22 by Internal Audit form the basis of the annual opinion on the adequacy and effectiveness of the control environment.

3.2.2 In 2021/22, the Audit Plan has been based on assurance blocks that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. The Audit Plan reflects the environment in which the public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, transformation, contract management, safeguarding and achieving value for money; and in 2021/22, an emphasis on providing assurance over organisational arrangements to respond to the coronavirus pandemic often through assurance work on grants received.

Section 4

4. INTERNAL AUDIT IN 2021/22

4.1 Overview and Key Findings

4.1.1 Section 4 of this report provides information on the audit reviews carried out in 2021-22, by assurance block.

4.1.2 For the reviews undertaken during 2021/22, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. This is an important indicator from the internal audit work and underpins the overall strong satisfactory assurance on the control environment.

4.1.3 In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. It is recognised that management has the responsibility to manage risk and recommendations may or not be accepted, or an alternative control may be agreed that achieves the same improved governance. Where the agreed actions arising from recommendations are considered to have a significant impact on the system of internal control, the implementation of those actions is followed-up by Internal Audit and is reported to Audit and Accounts Committee on a quarterly basis.

4.1.4 An overview of the implementation of actions as at 31st March 2022 is summarised in Table 1, below[1]:

Table 1: Implementation of Audit Actions 2021-22

Recommendation Category	Essential	High	Important & Medium[2]	Total
Agreed and implemented.	3	5	77	85
Agreed and due within the last 3 months, but not yet implemented.	0	1	5	6

[1] Please note that the total reflects the number of recommendations required to be implemented within 2021-22, and therefore includes recommendations made in 2020-21.

[2] Internal Audit amended the categories of recommendations during the year. This column captures recommendations under the old 'important' category the more recently introduced 'medium' rating.

Agreed and due over 3 months ago, but not yet implemented.	1	0	40	41
Agreed but not due until after 31 March 2022.	0	0	0	0
TOTAL	4	6	122	132

4.1.5 Details of all outstanding actions are provided at Annex B to this report.

4.1.6 There is one outstanding 'essential' recommendation. This relates to the Light Touch ICT Security Healthcheck review issued in May 2021, which identified that the Council's Public Sector Network (PSN) Certification had lapsed. This creates a risk that the Council may be unable to share data with other public sector parties, and could be disconnected from the PSN. PSN had confirmed that they were adopting a 'supportive posture' towards authorities with certification lapses during the Covid pandemic, which reduced this risk in the short-term, and a target date for re-certification was set at 30th November 2021.

4.1.7 However, the corporate decision to delay the IT data centre move - originally scheduled for the end of May 2021 - to the end of November 2021, prevented IT colleagues from meeting this original timescale, as the data centre move needed to be complete before the work to re-obtain certification could be conducted. As a result, the timeline for obtaining recertification has slipped. The service conducted an initial ITHC (the first step in obtaining certification) in January 2022, and developed a Remediation Plan to rectify the issues identified in February 2022. A second ITHC is planned to take place in late June 2022, and once this is completed the service can re-apply for PSN certification in July. Internal Audit are receiving regular updates from the service on the work to address this outstanding issue.

4.1.8 Throughout the year, colleagues in Place & Economy (P&E) have been addressing project and contract governance issues identified in 2020/21. The service will report progress with the implementation of their agreed actions as part of the paper from the Director of P&E to the 31st May 2022 Audit & Accounts meeting.

4.1.9 Details of outstanding recommendations, with explanations and updates, are regularly reported to the Audit & Accounts Committee as part of the internal audit progress updates.

4.2 Financial and Other Key Systems

4.2.1 This is the 2021/22 suite of annual core systems reviews, undertaken to provide assurance to management and other stakeholders, including external audit, that expected controls are in place for key financial systems; that these controls are adequately designed and are routinely complied with in practice. The work is focused on the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

4.2.2 With the agreement of the Chief Finance officer, during 2021/22 the audits were again undertaken as joint reviews of Cambridgeshire County Council, Milton Keynes, North Northamptonshire Council and West Northamptonshire Council financial systems. The Cambridgeshire Internal Audit team deliver audits of the Accounts Receivable, Purchase to Pay and Debt Recovery systems to the other partners, and receive reports on the Payroll and Pensions systems. At the time of writing, reports on Pensions and Payroll have yet to be received for the 2021/22 financial year, although partners have provided an expected date of 20th May 2022 for delivery of the draft Pensions report.

4.2.3 Internal Audit is aware of an issue with payroll control accounts, where there is currently a high number and value of unreconciled items in CCC's payroll control accounts. High balances of unreconciled items pose a risk that debtors and creditors balances may be overstated, debts may be missed and payroll fraud may go undetected.

4.2.4 Cambridgeshire's Internal Audit service is not able to audit the payroll control accounts issue directly, as the Payroll system is held by West Northamptonshire under the Lead Authority model. Payroll audits are now conducted by the Lead Authority; previously they were delivered by colleagues based at Milton Keynes via the LGSS Internal Audit service. However, a full audit of the Payroll system for CCC was not supplied by LGSS for the 2019/20 financial year and in 2020/21 an HR Transactions audit was supplied but not an audit of the Payroll system. For the 2021/22 financial year, despite challenge from Cambridgeshire Internal Audit, payroll control accounts have been excluded from the scope of the Payroll audit, and the draft report covering the rest of the system has yet to be received.

4.2.5 As such, the annual audit opinion has been caveated, as the Head of Internal Audit is not able to provide satisfactory assurance over the operation of the payroll system in 2021/22. In the absence of a direct assurance provided by the Lead Authority over the full payroll system including payroll control accounts, the Cambridgeshire Internal Audit team has identified the following sources of indirect assurance:

- Finance colleagues have confirmed that this issue has been considered by External Audit and they are content that the unreconciled items do not represent a risk of material misstatement of the Council's accounts.

- The Director of Resources has confirmed that a full action plan setting out how the control accounts issue will be addressed across all partners is expected at the Lead Authority Board meeting in June 2022.
- CCC Finance report that they have been able to access copies of detailed payroll control account reconciliation documents since January 2022.
- CCC Internal Audit has seen copies of an action plan and briefing note from work conducted by Milton Keynes Council to address issues in their own payroll control accounts. While this does not address the unreconciled balances at Cambridgeshire it does provide some assurance that some issues affecting the wider payroll system have been identified.

4.2.6 Table 2 below details the assurance levels of all key systems audits undertaken in 2021/22, compared to the assurance levels in 2020/21. Where reports are still at draft stage at the time of writing, the draft audit opinion is indicated.

Table 2 – Key Financial Systems Audits 2021/22

Key Financial Systems:	Audit Opinion 2021-2022		Audit Opinion 2020-2021	
	Environment	Compliance	Environment	Compliance
Treasury Management	Good	Good	Good	Good
Purchase to Pay (draft)	Good	Good	Good	Good
Accounts Receivable (draft)	Good	Good	Good	Good
Debt Recovery (draft)	Moderate	Good	Moderate	Moderate
Payroll	TBC		Not Completed	
Pensions	TBC		Substantial	Good

4.3 Risk-Based Reviews

4.3.1 Risk-based reviews have been a key element of the assurance on the entire control environment of the authority in 2021/22. This assurance block includes reviews which have been targeted towards key areas of high risk, as identified through consultation with senior management, review of risk registers, and the Internal Audit risk assessment of the organisation. This block also incorporates on-going work on initiatives to promote value for money. Each audit we undertake includes consideration of value for money at its core.

4.3.2 Risk-based reviews completed in 2021/22 include reviews of the following key areas:

- Dedicated Schools Grant High Needs Block Funding
- Insurance Fund
- Annual Key Policies & Procedures Review (draft)
- Fees and Charges Policy & Compliance

4.3.3 The outcomes of all risk-based reviews issued in 2021/22 can be seen at Annex A.

4.4 Compliance

4.4.1 Compliance work is fundamental, as it provides assurance across all Directorates and therefore has a significant influence on the Head of Internal Audit opinion on the control environment. The audit coverage for compliance is underpinned by an assessment of the Council's framework of controls (often directed by policies and procedures) and includes a focus on those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether key policies and procedures are being complied with in practice. As a part of this work, the existing controls are challenged to ensure that they are modern, effective and proportionate.

4.4.2 All risk-based and key financial systems reviews do include a compliance element. As well as a range of contract reviews, discussed below at 4.6, Internal Audit conducted compliance work in the following areas:

- Declaration of Interest – Members
- Declarations of Interest -Officers & Related Parties Assurances
- Light Touch ICT Security Healthcheck
- Expenditure over £20k
- Procurement Compliance

4.4.3 Where weaknesses have been identified, recommendations have been made to improve compliance and/or procedures and controls; all recommendations which are considered to be of medium or high impact on the control environment are followed up by Internal Audit to ensure they have been implemented.

4.5 Contracts Reviews

4.5.1 In 2021/22, Internal Audit has provided reviews of a number of contracts, including the Healthy Child Programme Section 75 Agreement and the Highways Service Contract open book review, with the second stage of this work resulting in a significant repayment to the Council for the over recovery of payments.

4.5.2 Internal Audit has also provided ongoing advice and support to the Contract Management Steering Group, Highways Contract Commercial Group and Waste Project Board.

4.6 ICT and Information Governance

4.6.1 A light touch ICT Security Healthcheck was undertaken and completed in May 2021. No further internal audit reviews on ICT were undertaken in-year due to the major data centre move project. In April 2022, a review of ICT Change Management has been initiated and further IT reviews are planned throughout the year.

4.6.2 During 2020/21, Internal Audit provided assistance to Information Governance colleagues in obtaining information requested under the Freedom of Information Act and met with HR and Customer and Digital Services to discuss planning for implementation of a s113 agreement. Representatives from Internal Audit also attend regular meetings of the Information Management Board.

4.7 Grants and Other Head of Audit Assurances

4.7.1 Internal Audit testing again confirmed that grants received by Cambridgeshire County Council requiring review and certification by Internal Audit have been spent in accordance with grant conditions, including the ongoing troubled families grant process.

4.7.2 Internal Audit also provides assurance over expenditure made by Cambridgeshire County Council on behalf of the Cambridgeshire and Peterborough Combined Authority (CPCA). These reviews provide assurance to the CPCA that central government grants passed to the Council from the CPCA have been spent in accordance with the relevant terms and conditions. The CPCA can then place reliance on Internal Audit's work to support their returns to central government. In 2021/22 Internal Audit completed five grant reviews for the CPCA: the Local Transport Capital Block Funding (Highways Maintenance); the Pothole & Challenge Fund; the Bus Service Operators Grant (BSOG); the Additional Home to School Grant; and the Active Travel Fund.

4.7.3 Internal Audit has continued to support review of grants distributed to support the local response to Covid in 2021/22. The team completed a certification for the Covid Community Testing Grant and regularly attended the Sustainability Panel, to provide advice and challenge on the distribution of Covid sustainability grant to Early Years and Childcare providers. The Panel's approach is to target funding on providers where the greatest likelihood of longer-term sustainability can be achieved by a single injection of funding to fill or bridge a gap in cash flow and short-term viability. Audit presence on this decision-making panel supports financial and risk-based scrutiny of provider

applications and provides ongoing review of compliance with panel governance processes and criteria.

4.8 Policies and Procedures

4.8.1 In 2021/22, Internal Audit has maintained a focus on review of key policies and procedures, to ensure that these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved.

4.8.2 In addition to work which focuses specifically on individual Council policies and procedures, every risk-based audit review undertaken considers the current policies and procedures in the service area under review, and audit recommendations include suggested revisions or updates to policies as appropriate.

4.9 Schools Audits

4.9.1 In 2021/22, Internal Audit conducted a review of schools payroll. This identified that Cambridgeshire County Council was not able to obtain third-party assurance over schools payroll systems and therefore that the Council currently has little assurance over schools' compliance with the requirements of the Schools Financial Regulations with respect to payroll. It was therefore agreed that Internal Audit would undertake a programme of reviews of individuals schools' financial controls, particularly looking at payroll controls, and targeted towards schools which have been identified as higher-risk via the Schools Finance team or Schools Causing Concern process, or where there had been recent changes of leadership at the school.

4.9.2 Audit undertook 14 schools visits between November 2021 and March 2022 and issued reports to the schools. Headteachers are requested to provide management responses and agree recommended actions, and return the report to Internal Audit. A final copy is then issued to the Headteacher and Chair of Governors.

4.9.3 A consolidated report was also produced by Internal Audit, bringing together the findings across the various school visits. This includes identifying good practice as well as more common areas of weakness to be shared with schools, and some recommendations for changes to the Schools Financial Regulations.

4.10 Other Work

4.10.1 Internal Audit continues to provide advice and guidance to officers on a wide range of issues, including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation. In particular, as reported last year, in 2021/22 there was a high volume of queries and requests for advice relating

to the organisation's pandemic response. Internal Audit aims to provide clear advice and risk-based recommendations with a view to reducing bureaucracy whilst maintaining a robust control environment. Where appropriate, we also refer queries or concerns on to specialist services such as Information Governance or IT Security.

4.11 Summary of Completed Reviews

4.11.1 A summary of all audit reports issued in 2021/22 is attached at Annex A.

5. ANTI-FRAUD & WHISTLEBLOWING

5.1 Overview of Whistleblowing Cases

5.1.1 The Internal Audit team maintains a log of all whistleblowing referrals received, including those which are subsequently passed to other services (such as HR or safeguarding) and the outcomes.

5.1.2 In 2021/22, a total of 20 whistleblowing referrals were received and processed by the Internal Audit Team at CCC. This is comparable to a total of 23 referrals received in 2020/21 and 24 referrals in 2019/20:

Table 3: Whistleblowing Referrals Received by Internal Audit in 2021/22:

Whistleblowing Cases reported to Internal Audit in 2021/22		Open	Closed	Total
Fraud	Third Party Fraud	0	1	1
	Schools Fraud	0	1	1
	Officer Fraud	1	1	2
	Direct Payments Fraud	2	0	2
	School Admissions Fraud	0	1	1
	Total Cases of Alleged Fraud	**3**	**4**	**7**
Governance	Conflict of Interest	1	1	2
	Internal Governance Allegation	0	3	3
	School Governance Allegation	0	1	1
	Total Governance Allegations	**1**	**5**	**6**
Safeguarding	Safeguarding Concerns	0	2	2
Overpayments	Payroll Overpayment (Night Allowances)	0	1	1
HR	Grievance / Respect at Work concerns	0	2	2
Information Security	Information Security Concern	0	1	1
Theft	Libraries Theft	0	1	1
Total		**4**	**16**	**20**

5.1.3 A formal process of risk assessment is undertaken on all referrals, to identify the appropriate action to be undertaken. In the majority of cases, either:

- The initial review finds no investigation is required, for instance if the issue has already been dealt with internally; should be addressed through other procedures (such as the Respect At Work Policy); or is not serious enough to warrant a full investigation; or
- An investigation is initiated, but subsequently finds the allegation is not substantiated or only minor issues are found.

5.1.4 An overview of the outcomes of referrals received in 2021/22 is set out at Table 4, below:

Table 4: Outcomes of Whistleblowing Referrals Received in 2021/22:

Outcome of Case	No. Cases
Referred into formal complaints process.	2
Internal Audit investigation report.	4
HR advice & recommendations.	2
No action required.	3
No powers to investigate.	1
Investigation confirmed no serious concerns.	3
Resolved within service.	1
Investigation ongoing.	4
2020/21 Totals	**20**

5.2 Fraud & Governance Investigations

5.2.1 Where Internal Audit investigations into whistleblowing referrals are completed, Internal Audit issue recommendations to address any areas of weakness that the investigation identifies in the Council's systems of governance. Implementation of these recommendations is then followed-up by Internal Audit in the normal way and reported to Audit & Accounts Committee as part of the follow-ups process.

5.2.2 Of note in the 2021 – 22 financial year is that two separate investigations have identified non-compliance with Council policies on consultancy and interim worker appointments. The first investigation reviewed a timesheet fraud committed by an interim worker, which was reported to Audit & Accounts Committee in March 2022; the second investigation was in response to value for money findings by the Council's former external auditors and a related whistleblowing allegation.

5.2.3 In both instances, Internal Audit has agreed recommendations with management to strengthen the Council's control environment around commissioning consultancy and interim workers, with updates to the Agency & Interim Worker Policy already having taken place. In addition to this, Internal Audit has committed to undertake additional assurance work in 2022/23 to review procurement waivers and test compliance with correct account coding on the general ledger.

5.3 Proactive Anti Fraud Work

5.3.1 During 2021/22 the Internal Audit team undertook a range of pro-active counter-fraud activities. Internal Audit conducted a major review and rewrite of the Council's Whistleblowing Policy, which was approved by Audit & Accounts Committee in July 2021. The rewrite has streamlined the policy and

made it more user-friendly, as well as signposting other Council policies which may be used to raise concerns. Following the update of the policy, an awareness campaign was run with the assistance of the corporate Communications team, including a run of regular posts in the staff newsletter 'Friday Focus' on specific aspects of whistleblowing.

5.3.2 Following the review of the Whistleblowing Policy, Internal Audit have started the process of reviewing and updating the Anti-Fraud & Corruption Policy and the Anti-Money Laundering Policy, with the intention of bringing these to the Audit & Accounts Committee to approve in the 2022/23 financial year. Internal Audit have also been working on drafting a new policy to provide greater guidance and support to officers on identifying and dealing with suspected fraud or misuse of direct payments monies. This is being developed in conjunction with staff from the Adults Finance Team, Disability Social Care 0-25 Team, and the Debt Team.

5.3.3 Additionally, in October Internal Audit were made aware of a project run in conjunction with the District Councils, to reduce Council Tax single person discount fraud. This aims to identify fraud by data-matching using the 'Fraud Hub', specialist cloud-based software supplied by the Cabinet Office as an optional addition to the National Fraud Initiative exercise (NFI - see Section 5.4 below for more details). As Internal Audit are the service which co-ordinates the NFI for the Council, a representative from Audit joined the project to provide specialist input on the data-matching function and the collation of datasets for the project.

5.3.4 A business case for the project was approved by Strategy & Resources Committee at the start of November 2022. Subsequently, as staff turnover meant that the project was under-resourced, Internal Audit committed additional resource to support other project activities. This has included:

- Supporting the development of a Memorandum of Understanding (MoU) to govern the project between the County Council and the District, Police and Fire authorities.
- Attending regular project meetings with representatives from CCC and the District Councils.
- Identifying other areas of project governance in need of further development and supporting implementation. This has included development of a Data Protection Impact Assessment and Equalities Impact Assessment, both of which are now underway.
- Identifying and liaising with data owners both internal and external to CCC, and working with colleagues in IT and Business Intelligence to identify how data required for the project can be generated.

5.3.5 At the end of March 2022 a specialist project resource was allocated to the project, which will provide greater resilience going forward and should enable the Council to co-ordinate remaining project implementation activities more

quickly. Internal Audit are also recommending that when the initial phase of the project to conduct data-matching to identify Council Tax fraud is complete, the Council should formally consider whether there is potential for the project to be expanded to support other internal counter-fraud activities. Given the nature of the Fraud Hub software, there is significant opportunity for Cambridgeshire to explore using data-matching outputs to identify and investigate fraud in areas such as social care payments.

5.4 *National Fraud Initiative (NFI) 2021/22:*

5.4.1 The NFI compares different data sets provided nationally by local authorities, central government, and partner organisations. CCC pensions data, for example, is compared with data from other local authorities to identify 'matches' i.e. anomalies, such as any individuals in receipt of a pension who are recorded elsewhere as being deceased. This enables errors to be highlighted, as well as potentially fraudulent transactions.

5.4.2 The current exercise commenced in September 2020, when the Council supplied datasets for national data matching purposes, including payroll, creditors, concessionary travel, and procurement data. Identified 'matches' were then released by the NFI in January 2021; these matches are being investigated by the Council, with oversight from the Internal Audit team. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating. Given the extremely high volume of matches, a risk assessment process is undertaken to prioritise the most high-risk matches for review in the coming year. Outcomes are reported to Audit & Accounts Committee on an ongoing basis, as part of the quarterly Internal Audit Progress Reports.

6. RISK MANAGEMENT IN 2021-22

6.1 Overview of Risk Management

6.1.1 Under the Council's constitution, the Strategy & Resources Committee is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.

6.1.2 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. The Council's Risk Management Policy makes provision for escalation and de-escalation of risk through the tiers. On behalf of the corporate leadership team (CLT), the Director of Business Improvement and Development champions and takes overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council, including co-ordinating identified improvement activity.

6.1.3 CCLT held a meeting in February 2022 to discuss the Corporate Risk Register, and outcomes from the meeting, which included a refresh of the corporate risks and supporting details, have been produced. The Committee will be given an update on progress at the next meeting.

6.1.4 The latest iteration of the Corporate Risk Register was presented to Strategy and Resources Committee on the 29th March 2022, along with an updated Risk Management Policy following a full review of the policy and procedures. A copy of this report is attached at Annex C, with the Risk Register at Annex D, Risk Management Policy at Annex E, and Risk Appetite Statement at Annex F.

6.1.5 At the Strategy & Resources Committee meeting, the Chief Executive noted that he was keen to look rigorously at the Council's Risk Register with CLT and would also be looking at officer and operational governance across the authority. Following discussions with the Committee, it was agreed that in future the risk register will record both the current risk score and previous score, to facilitate scrutiny of the register by management and Committees.

6.1.6 GRACE (the RM software) is up to date and the quarterly reporting cycle is back to 'business as usual', which will include a challenge session with CLT to ensure that when risk comes to CLT they can focus on live and emerging triggers or indeed new risk areas.

6.1.7 Over the course of the next year, the risk management team will undertake a programme of work which challenges and assesses each of the Council's Corporate Risks. This will include an evaluation of the extent to which the controls documented in the risk register are being complied with. The intention is that for each risk three levels of assurance are given:

- **Governance controls** (are the planned controls proportionate and effective in mitigating the identified risk and triggers);

- **Compliance** (are those controls being routinely complied with in practice);

- **Substantive** (are the controls being effective in mitigating the risk in practice).

6. INTERNAL AUDIT PERFORMANCE AND QUALITY ASSURANCE

6.1 Delivery of the 2021/22 Internal Audit Plan

6.1.1 The Cambridgeshire County Council Internal Audit Plan for 2021/22 was developed in early 2021, with the required resources confirmed as 1770 days. The draft Audit Plan was reviewed and agreed by Joint Management Team (JMT), and reviewed and agreed by the Audit & Accounts Committee on the 23rd March 2021.

6.1.2 The Internal Audit team at Cambridgeshire seeks to be highly responsive to emerging risks, and in accordance with best practice, the Internal Audit Plan is regularly re-assessed and updated in line with changing risks throughout the year. Changes to the Plan were approved by Corporate Leadership Team (CLT) and the Audit and Accounts Committee (AAC) through regular progress reporting. The key performance measure for Internal Audit was approved as completion of the Audit Plan, which is reported to CLT and Audit Committee at least quarterly.

6.1.3 All Internal Audit reviews delivered in-year are detailed at Annex A, below.

6.2 Compliance with Public Sector Internal Audit Standards

6.2.1 The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards (PSIAS) throughout the year. An internal assessment of compliance with PSIAS was conducted in early 2021 and found no areas of non-compliance.

6.2.2 An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) is required every five years. This was most recently completed in 2016/17 with a follow up visit undertaken in May 2017, which confirmed the service's compliance with the latest set of standards. An external review by the Head of Internal Audit at Peterborough City Council is currently underway. Initial feedback on the outcome of the review has not identified any concerns and it is hoped this will be completed shortly.

6.3 Service Development

6.3.1 Continuing Professional Development has been a major focus of the quality assurance programme in 2021/22, to ensure that staff have the skills to carry out their responsibilities with proficiency and deliver work of the required quality.

6.3.2 In 2021/22, due to the impact of the remote working instituted as a result of the Covid-19 pandemic, professional development has been delivered remotely. Weekly team development meetings are used to deliver training and development to all staff, and a system of post-audit assessments against the

CIPFA Excellent Internal Auditor standard is used to identify areas for development on an ongoing basis, in tandem with regular supervision of all staff.

6.3.3 The Internal Audit team continues to develop staff and capacity for the future through the Internal Audit Graduate Trainee scheme, run in conjunction with the Financial Management Graduate Trainee scheme. Trainees are taken on as Apprentices to study for chartered accountant status with the Chartered Institute for Public Finance and Accountancy (CIPFA).

6.3.4 In line with Public Sector Internal Audit Standards (PSIAS), the Internal Audit service maintains an Internal Audit Charter. Under PSIAS, the Charter is "a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities".

6.3.5 Following the service's disaggregation from LGSS, Internal Audit undertook a full review of the Internal Audit Charter, along with a review of key processes and working practice within the Internal Audit team. The Internal Audit Charter has been completely re-drafted, with appendices setting out key principles and processes for the team, including the audit planning process, audit workflow, assurance ratings etc. The Charter also considers the culture of the Internal Audit team and how the service can demonstrate its professional and ethical values, as well as ensuring compliance with PSIAS.

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ANNEX A

CCC INTERNAL AUDIT – SUMMARY OF COMPLETED REVIEWS 2021/22

The table below summarises the Internal Audit reviews that were completed during the 2021/22 financial year. Where reports have been issued as draft but not yet finalised, this is noted and the draft opinion is given.

Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Key Financial Systems Reviews				
Accounts Payable (Draft)	Cross cutting	Good	Good	Minor
Debt Recovery (Draft)	Cross cutting	Good	Moderate	Minor
Treasury Management	Cross cutting	Good	Good	Minor
Accounts Receivable (Draft)	Cross cutting	Good	Good	Minor
Pensions	Cross cutting	TBC – Lead Authority audit		
Payroll	Cross cutting	TBC – Lead Authority audit		
Grant Reviews & Certifications				
Troubled Family Grant	People and Communities	Grant Certification Provided		
Community Testing Grant	Cross cutting	Grant Certification Provided		
Disabled Facilities	People and Communities	Grant Certification Provided		
Additional Home to School Grant	People and Communities	Grant Certification Provided		
Active Travel Fund	People and Communities	Grant Certification Provided		
Local Transport Capital Block Funding (Highways Maintenance)	In conjunction with CPCA	Grant Certification Provided		
Pothole & Challenge Fund	In conjunction with CPCA	Grant Certification Provided		
BSOG (Bus Service Operators Grant)	In conjunction with CPCA	Grant Certification Provided		
Schools Audits				
Schools Safer Recruitment	People and Communities	Good	Good	Minor
Schools Payroll 20/21	People and Communities	Limited	Moderate	Minor
Schools Financial Assurance Consolidated Report (Draft)	People and Communities	Moderate	Moderate	Minor
Brampton Village Primary School	People and Communities	Good	Good	N/A
Friday Bridge Primary School (Draft)	People and Communities	Good	Good	N/A
Shirley Community Primary School	People and Communities	Limited	Moderate	N/A

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Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
Burwell Village College Primary School	People and Communities	Moderate	Limited	N/A
Great Gidding C of E Primary School (Draft)	People and Communities	Moderate	Moderate	N/A
Linton C.E Infant School (Draft)	People and Communities	Moderate	Good	N/A
Clarkson Infant and Nursery School (Draft)	People and Communities	Moderate	Good	N/A
Little Paxton Primary School	People and Communities	Moderate	Moderate	N/A
Coton Church of England (VC) Primary School	People and Communities	Limited	Limited	N/A
Hardwick and Cambourne Community Primary School (Draft)	People and Communities	Moderate	Good	N/A
Bushmead Primary School (Draft)	People and Communities	Moderate	Moderate	N/A
The Spinney Primary School (Draft)	People and Communities	Moderate	Moderate	N/A
Spring Meadow Infant and Nursery School (Draft)	People and Communities	Moderate	Moderate	N/A
The Fields Nursery School (Draft)	People and Communities	Limited	Limited	N/A
Other Audit Reviews				
Dedicated Schools Grant High Needs Block Funding	People and Communities	Satisfactory	Satisfactory	Moderate
Declaration of Interest – Members	Law and Governance	Good	Good	Minor
Declarations of Interest (Employees)	Cross-Cutting	Limited	Moderate	Minor
Contract Management – Healthy Child Programme	Public Health	Moderate	Limited	Minor
Procurement Compliance	Cross-Cutting	Moderate	n/a	Minor
Fees and Charges	Cross-Cutting	Limited	Moderate	Minor
Spend over 20K	Cross-Cutting	Moderate	N/A	Minor
Insurance Fund	Resources	Good	Good	Minor
Annual Key Policies & Procedures Review (Draft)	Cross-Cutting	N/A	Good	Minor
Payroll Analytics	Cross-Cutting	Advisory Report issued		
Foster Carer Overpayments Review	People & Communities	Review of overpayment calculations completed and report produced		
Whistleblowing, Investigations & Case Review Reports				
Libraries Self Service Machines Review	People and Communities	Advisory Report issued		
Library Preschool Investigation	Cross Cutting	Investigation Report issued		

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Audit Title	Directorate	Compliance assurance	Systems assurance	Organisational impact
FOI Review	Cross Cutting	Advisory Report issued		
Foster Carer Overpayments Case Review (1)	People and Communities	Case review report issued		
Foster Carer Overpayment Case Review (2)	People and Communities	Case review report issued		
Interim Team Leader Investigation	People and Communities	Investigation Report issued		
Direct Payment Case Review	People and Communities	Case review report issued to support management of complex Direct Payments case		
Contractors Appointment Assurance	Cross Cutting	Investigation Report issued		
Other Internal Audit Work				
Highways Contract	Place & Economy	Open-book review of the Highways Contract		
Waste PFI	Place & Economy	Advice and support on contract management of Waste PFI Contract		
Highways Contract Commercial Group	Place & Economy	Advice and support on contract management of Highways Contract		
Major Infrastructure Delivery Project Assurance Group	Place & Economy	Advice and support to MID Project Assurance Group		
Contract Management Steering Group	Cross Cutting	Advice and support to Contract Management Steering Group		
Council Tax NFI Project	Resources	Advice and support to the Council Tax NFI Project		
Direct Payments Fraud & Misuse Policy	Cross Cutting	Work on developing a corporate policy on fraud and misuse of Direct Payments		
Sustainability Panel	Cross Cutting	Attendance at Panel meetings to provide advice and support		
Information Management Board	Customer & Digital Services	Attendance at Board meetings to provide advice and support		
Code of Corporate Governance	Cross Cutting	Completed annual review of the Council's Code of Corporate Governance		

ANNEX B Summary of Outstanding Recommendations

(Recommendation status as at 19.05.2022).

Essential Recommendations overdue

Audit	Risk level	Summary of Recommendation	Target Date	Status
ICT Light Touch Security	E	A target date for CCC re-obtaining PSN certification is agreed and JMT is kept updated of progress towards this target. In view of management's comments on the draft report, we recommend two separate target dates be agreed: • One for the completion of an ITHC and the submission of an appropriate Remediation Plan to PSN (if needed). Perhaps the target for this could be August 2021 • And the other target being for the completion of (at least the high priority elements of) the new Remediation Plan. We suggest this target date could be 3-6 months after the above.	30/11/2021	The service conducted an initial ITHC (the first step in obtaining certification) in January 2022, and developed a Remediation Plan to rectify the issues identified in February 2022. A second ITHC is planned to take place in late June 2022, and once this is completed the service can re-apply for PSN certification in July. Revised target date: 31st July 2022

Recommendations overdue – under 3 months

Audit	Risk level	Summary of Recommendation	Target Date	Status
Dedicated Schools Grant - High Needs Block Demand Management	I	The service has indicated that there are already plans to review and update the Personal Budget policy. The service should ensure as part of this update that guidance is clear that where any provision is to be secured by a Personal Budget, Section J of the EHCP should include: details of how the Personal Budget will support particular outcomes; the specific provision it will be used for, including any flexibility in its usage; and the arrangements for any direct payments for education, health and social care.	01/04/2022	The service report that the target date for this work has had to be pushed back by two months. The policy is due to be reviewed by a new officer who started work in April. Revised target date: 30th June 2022
Dedicated Schools Grant - High Needs Block Demand Management	I	The Quality Assurance Audit Framework should be revised to include checks to identify whether the provision outlined in each EHCP appears to be proportionate to the level of need, and to assess whether the funding allocated to the individual is appropriate.	31/01/2022	The recommendation has not been completed yet, as the review of the Quality Assurance framework will take longer to complete than previously estimated. This is due to widening the scope of the review, and the need to ensure consultation and co-production are fully included as part of the programme. The revised date for completion is the end of June 2022. Revised target date: 30th June 2022
Interim Team Leader MID Investigation	I	The service should review all current contracts with interim workers and ensure that contracts include complete mechanisms for the Council to withhold payment in the event of late or absent delivery of	31/01/2022	The service has checked its current contract arrangements and verified that for interims within scope of IR35 and employed via OPUS, this mechanism is in place. There are members of

Audit	Risk level	Summary of Recommendation	Target Date	Status
		expected services.		staff outside the scope of IR35 or employed via other agencies and further work is now being undertaken to verify that mechanisms to withhold payment for late or absent delivery are in place in their contracts. Revised target date: 1st July 2022
Interim Team Leader MID Investigation	I	The service should review all other interim arrangements currently in place and ensure that the Council has informed contracting agencies of its requirements regarding pre-employment checks and that appropriate assurances have been received that agencies have carried out checks in line with the Agency Workers & Interims Policy.	31/01/2022	The service has now confirmed with all current recruiters what pre-employment checks are undertaken as part of their normal processes. There is still a requirement to obtain some specific documents directly for individual appointments and the service is now working on implementing this process and conducting checks on current interims. Revised target date: 1st July 2022
Interim Team Leader MID Investigation	I	The service should conduct a review of the interims currently in post and calculate the mark-up currently being paid for each interim in excess of the full costs of the substantive post being covered. This should then be reviewed and challenged by the Executive Director of Place & Economy, Head of Procurement and Chief Finance Officer.	31/01/2022	This action is underway. It has been agreed with Audit to produce a sample at different levels of seniority, rather than calculating the full mark up for each individual. This should help the service identify current average levels of mark up and work to identify outliers. Assumptions are being confirmed through Finance and HR and the target date for completion is now 1st July. Revised target date: 1st July 2022

Audit	Risk level	Summary of Recommendation	Target Date	Status
Declarations of Interest - Employees	H	The Council should identify key decision-making officer boards/group's where there is a risk of officers being involved in decisions where they may have an interest which could present a conflict and ensure that declarations at the start of the meeting and incorporated into the groups terms of reference.	31/01/2022	Internal Audit is awaiting an update from the service. Revised target date: TBC

Summary of Outstanding Recommendations – over 3 months

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Audit	Risk level	Summary of Recommendation	Target Date	Status
Dedicated Schools Grant - High Needs Block Demand Management	I	The Statutory Assessment Team should evaluate the annual review process and ensure that there is a control implemented (i.e. a checklist) within the annual review process that prompts the casework officers to check whether the details of the EHCP and particularly the funding allocated is still appropriate to meet the child/young person's needs.	31/12/2021	A new Project Manager has started work on the EHCP Improvement Plan; the Annual Review Improvements will fall under this. The deadline will need to be pushed back so the new project manager can get up to speed, and also due to the expansion in scope of this element of the project to cover the whole EHCP, not just Annual Reviews. Revised target date: 1st June 2022
Dedicated Schools Grant - High Needs Block Demand Management	I	A formal backlog recovery plan needs to be written to address the current backlog. The planning should include: • Writing a work plan to determine the next steps to be undertaken.	01/09/2021	Work on this action is underway and the service has provided evidence of new monitoring information showing the number of cases cleared each week, and a high-level action plan focused on resourcing the service. Internal Audit is

		• Agreeing performance targets on the basis of number of cases that should be cleared per month, and how performance will be reported. • The service should identify an agreed prioritisation of cases. Internal Audit would recommend considering prioritising completion on annual reviews for; - High value placements - Any cases where there are concerns over the current provision - For individuals with personal budgets - Schools that are requesting additional funding		awaiting evidence of a full backlog recovery plan with a set of performance targets and reporting in order to be able to sign this off as complete. Revised target date: 1st June 2022
Debt Recovery 20/21	I	Detailed best practice procedures should be developed, communicated, and embedded to govern effective debt recovery activity across all three clients. These best practice procedures should be continually assessed to ensure they are proportionate, efficient, and effective. The procedures should be documented and cover: • Recovery activities and associated timescales (including timescales for DCA to recover debts and timescales for sending back to the client if debts are not recovered) • Guidance on how to undertake recovery activities • How activity should be evidenced and recorded to maintain complete and consistent case notes • All recovery strategies and guidance on decision making, specifically on criteria for unrecoverable debt • Procedures in relation to dealing with services over disputed debt/debt managed outside of the debt teams • Write off processes • How debts are allocated to Recovery Officers and how these should be prioritised	30/09/21	This has been delayed due to covid/and other priorities. The Service has developed a Service Improvement Plan which is continually being updated. This includes introducing and embedding a new portfolio process. The introduction of new documented best practice procedures will be developed and finalised in line with the implementation of processes in the Service Improvement Plan and once the portfolio process has been embedded. A revised Income and Debt Policy including have been sent to S151 for review. Detailed guidance documents will be developed once the policy is agreed. Revised target date: 30th June 2022

		• How ERP Gold workflows and functionality will be best utilised • Use of complaint codes • Deceased cases recovery processes		
Soham Library Preschool Investigation	M	Consideration should be given to the accounting treatment for any Less Than Best lease arrangements (including rent holidays) with the 'cost' of any subsidy being recognised as a nominal cost to a service's accounts to reflect the community benefit invested in these arrangements.	31/10/21	The Sector Development and Funding Manager confirmed that this complex proposal is currently being discussed with colleagues in Finance and Education to identify how it could be progressed. As this is a notional accounting entry it is technically complex, and additionally the service experienced high workload due to Covid from January - March 2022, meaning that focus has only been shifted back to policy and service development issues of this nature more recently. The service will continue to update Internal Audit on progress with the action. Revised target date: 30th June 2022
Fostering Contract Management	I	Double paying for home-to-school transport: Establish a suitable fee reduction to ensure travel costs are not paid for twice and publish this clearly as part of fee negotiation guidance. Before negotiations for a contract start, it should be fully established whether the child is eligible under the home to-school transport assistance policy and the fee reduction should be agreed accordingly. Guidance should be updated to state that every contract should include a note re: how Home to School transport and transport to contacts is funded, and that this should also be noted on the placement plan.	01/10/19	Commissioning presented the draft version to Children's External Placements Governance Board; some minor amends were requested, and they have been asked to share the amended draft with the Social Care Transport meeting attendees for their views. It is estimated that a further month is needed to undertake this consultation element. Revised target date: 1st June 2022

Fostering Contract Management	I	No control process to identify errors in in-house payments: Create a payment policy document that clearly sets out the different scenarios that occur and how they are paid for, such as: respite breaks, children going to university, level 6 carers with a staying put placement etc. Include details about IFA carers transferring to in-house, and the fee agreements relating to children already in place.	01/07/19	The consultation response was sent to Foster Carers on 30th March, so the consultation has now concluded and the revised payments came into effect on 1st April. In addition the Fostering Service will publish its Allowances and Skill Level payments alongside other associated allowances on the public Fostering Service website alongside other Local Authorities so that these are easily accessible to current Foster Carers and prospective foster carers. All Approved Foster Carers will be issued a new Fostering Agreement by the end of May 2022 that incorporates these changes. The Service is confident that all carers are aware of the new allowances and service expectations as this continues to be an area of focused work and appraisal in Foster Carer supervision, overseen by Team Managers and the work of the Corporate Parenting Finance Team where any issues are identified. Revised target date: 1st June 2022
Key Policies and Procedures	I	Policy Framework: A policy framework document should be drafted which includes: • A definitive list of CCC's key policies • links to each policy or where to find them • The update schedules for each • Whether any particular legislation must be taken into account when updating • Whether legal advice is needed on updating (to prevent misinterpretation of legislation)	30/04/21	The Policy Framework is currently in draft and Internal Audit has seen sight of it. The process of finalising the framework has been slightly delayed due to staff turnover, but it will be going to CLT for approval on 13th June 2022. Revised target date: 13th June 2022

		• Who is responsible for updating each policy • Who needs to approve changes to the policy (e.g. JMT or service committees) • Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment needed)"		
Complaints	I	Complaints Monitoring: The current complaints processes do not include any corporate monitoring or reporting mechanisms. Without these it is difficult to assess whether complaints are being acknowledged investigated, escalated, or responded to in line with procedures and timescales. It is also difficult to assess the number, nature and type of complaints received by the Council. This is important to support the identification of thematic issues and drive service improvement. The introduction of the corporate Feedback Policy and the new digital complaints solution provides a timely opportunity to introduce monitoring and reporting arrangements.	01/10/20	Reporting of corporate complaints will proceed as planned to achieve this audit recommendation using the existing systems and processes, rather than a new system as originally planned. This reporting will note the incoming volumes through the current system and will track which complaints subsequently move through all 3 stages of the corporate complaints process, as by definition these are the complaints that CCC is struggle to resolve. From this it will be possible to see how complaints that come through to Stage 3 have been responded to, including the timeliness of our response, the nature and quality of the investigation and how these complaints have been escalated. Complaints will be categorised according to service, noting the nature of the complaint, the themes emerging through these complaints, the actions CCC has committed to and the learning we need to take from these complaints. A 6 monthly report will be produced with this data, the first one being by 30 Sept 2022 for the first 6 months of 2022/23.

				Revised Target Date: 30 September 2022
This Land	I	Governance arrangements: A formal document is produced and presented to C&IC (as Shareholder) containing governance arrangements of: • Reporting to Shareholder; • Corporate performance indicators for delivery against the benefits identified; • Business plan; • Financing the company; • Reserved matters; • Risk, Audit, and internal control This could be a development of the drafted Memorandum of Understanding or a separate document which should be discussed and agreed by the committee, with changes made if necessary. Implementation of this recommendation would substantially increase the audit opinion.	01/06/21	The Chief Finance Officer advised that the solicitors, Freeths, have been appointed to work on this action. A governance document is expected in the next 2 months. Target date: 30th June 2022
This Land	I	A contract to support the construction/development and bridging loans should be established: A contract to support the construction/development and bridging loans should be established, this should capture: • CCC responsible officer/team for managing the arrangements; • What CCC staff should be consulted when This Land purchase 3rd party developments and formalise existing arrangements for purchases from the Council; • Operational performance indicators are identified for	01/07/21	The Chief Finance Officer advised that the solicitors, Freeths, are working on consolidating the loan agreement which is supportive of this action. However most of the other components are already in place across the existing loan agreements and work of the monitoring surveyor so once this has been evidenced to Internal Audit, this action can be closed. Target date: 30th June 2022

		the following areas: - Delivery of individual developments to include time, quality, and cost; - Progress reports (as identified in D&C Loan Facility Agreement); - Health and safety; - Any other suitable areas consistent with the Loan Facility Agreements. • Remedial timescales and actions; • Monitoring of overall delivery or developments.		
AP 20/21	I	Supplier Review: A review of suppliers in ERP should be undertaken to identify any further instances where the same company is set up as both a commercial and non-commercial supplier. Each case should be reviewed to establish if the existence as both suppler types is appropriate and if not if should be determined which supplier instances should be deleted or disabled.	30/06/21	To mitigate this risk, the New Supplier Request form advises the user to check that a supplier record does not exist in ERP and the Suppliers team is required to complete further checks to prevent duplicate supplier records being set up in ERP. A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites and this will be used to undertake an exercise to identify and review any existing suppliers that are set up as both commercial and non-commercial types. An extension is required, due to the additional workload from Future Northants, alongside some challenges in recruiting which are being discussed. This is reliant on experienced resources to review the data and take appropriate action. This is a significant piece of work that requires considerable resource to review supplier databases.

				Revised target date: 30th September 2022
Capital Programme Governance Review	I	There are 27 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/21	Work to establish progress with these recommendations is being progressed as a separate exercise by the Service. As agreed with the Chair of the Audit & Accounts Committee, a further progress report will be provided by the Service to the Audit & Accounts Committee's May 2022 meeting. This progress report will summarise the extent to which the suite of recommendations have been implemented and are routinely complied with. Revised target date: May 2022 A&A Committee The implementation of these actions will be verified by an audit review in Q3 2022/23.
18/19 Ely Bypass Review	I	Limits on Delegated Authority: Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications.	31/10/19	This recommendation is being managed in conjunction with the capital programme governance recommendations - see above.
	I	Urgent action is taken in conjunction with the Payroll and HR Transactions Manager to address the weaknesses in the quality and accuracy of payroll	30/09/2021	Internal Audit met with the Head of Finance and Strategic Finance Manager to discuss progress with this action. It was confirmed that payroll

		control accounts.		control account reporting is being received by Finance from the Lead Authority from January 2022. The Finance team are working to establish the extent of unreconciled items and obtain assurances over how these items will be reviewed and cleared. An action plan to address issues with payroll control accounts across all partners is expected to be presented to the Lead Authority Board in June 2022. Revised target date: 30th June 2022

Agenda Item No.13

Corporate Risk Register

To:	Strategy & Resources Committee
Meeting Date:	29 March 2022
From:	Director of Business Improvement and Development
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	Good risk management, including the identification of risks and triggers as well development of mitigating actions, should inform decision making and areas for improvement, lead to better overall management of the Council's business, and protect the Council's assets, workforce, finances and services.
Recommendation:	The Committee is invited to note and comment on the corporate risk register.

Officer contact:

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Member contacts:

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Email:	lucy.nethsingha@cambridgeshire.gov.uk; elisa.meschini@cambridgeshire.gov.uk
Tel:	01223 706398

1. Risk Management

1.1 Risk Management is the process by which the Council understands and proactively considers the principal uncertainties and overall risks facing the organisation. Through effective risk management we aim to optimise success by minimising threats. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control which includes effective arrangements for the management of risk.

1.2 Under the Council's constitution, the Strategy & Resources Committee is responsible for the development and oversight of the Council's risk management and strategy. The Audit & Accounts Committee also has important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment and to seek assurances that appropriate action is being taken in response to risk.

1.3 Risk is inherent in our delivery of high-quality public services. The volatility, complexity and ambiguity of the Council's operating environment continues to increase, and taxpayers rightly expect transparency and accountability from the Council in managing the impacts of risk. We are committed to managing risk so that we enhance strategic planning and prioritisation and achieve our objectives with agility.

1.4 The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council. Risk registers operate at three tiers across the organisation: (a) service/project specific, (b) directorate, and (c) corporate. This covering report is provided to the corporate risk register attached at Appendix 1. The Council's Risk Management Policy makes provision for escalation and de-escalation of risk through the tiers. On behalf of the corporate leadership team (CLT), the Director of Business Improvement and Development champions and takes overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council, including co-ordinating identified improvement activity.

1.5 The Risk Management Policy is attached at Appendix 2 and supplementary information about the risk appetite extracted from the Risk Management Procedures is attached at Appendix 3.

1.6 At the CLT meeting on the 28th January 2022, the corporate risks were reviewed, and none were assessed to be in excess of the Council's risk appetite (rated 'red', in the range 16-25). The current risks reported through the corporate risk register and their CLT owner are as follows:

- The Council's arrangements for safeguarding vulnerable children and adults fail
  Owner: Executive Director: People & Communities
  The residual risk score has increased from 12 to 15, recognising that although the likelihood remains at a 3 the impact would be assessed as a 5.

- The Council doesn't have enough budget to deliver agreed short and medium- term corporate objectives
  Owner: Director of Resources & Chief Financial Officer (S151)
  The residual risk score has decreased from 20 to 12, reflecting an increased clarity regarding the Council's budget post pandemic and recognising the robustness of the Council's governance in this area.

- A serious incident occurs, preventing services from operating and / or requiring a major incident response.
  Owner: Director Customer and Digital Services
  The residual risk remains unchanged at 12.

- The Council does not deliver its statutory or legislative obligations
  Owner: Director of Law & Governance and Monitoring Officer
  The residual risk score has increased from 8 to 10, recognising that although the likelihood remains at a 2 the impact would be assessed as a 5

- The Council's human resources are not able to meet business need
  Owner: Assistant Director, HR Services
  The residual risk has decreased from 16 to 15 as the likelihood has been assessed as a 3.

- Insufficient community infrastructure to deliver the Council's services
  Owner: Executive Director Place & Economy
  The residual risk remains unchanged at 12.

- Failure to Deliver Key Council Services
  Joint owners: Executive Director Place & Economy & Executive Director: People & Communities
  The residual risk has increased from 6 to 10, recognising that although the likelihood is assessed as 2 the impact would be a 5.

- Failure of key partnerships or contracts
  Owner: Director of Resources & Chief Financial Officer (S151)
  This is a new risk, with a residual risk being assessed as 12.

1.7 At the CLT meeting, the following risks were removed from the CRR;

- Personal data is inappropriately accessed or shared
  This will be picked up in the new risk, the Council fails to comply with Information Governance legislation and industry standards.

- Impact of the Brexit Risk Assessment
  The impact of Brexit was deemed to be reflected as triggers throughout the CRR.

- Change and transformation of services is not successful to meet future estimated levels of resources in the Business Plan

This was considered to be picked up in the risk, the Council doesn't have enough budget to deliver agreed short and medium- term corporate objectives**.**

- Inequalities in the county continue
  This was considered to be a consequence rather than a risk in its own right.

- The Council is a victim of major fraud or corruption
  This was considered to be better addressed in the Resources directorate's risk register.

1.8 CLT considered including Climate as a separate risk, however at the moment this was felt to be covered across the CRR other risks, most notably under Risk 2 - The Council doesn't have enough budget to deliver agreed short- and medium-term corporate objectives.

1.9 CLT also determined that the following changes, that are still in progress, should be made to the CRR;

- Create two risks to replace the existing Risk 1 -The Council's arrangements for safeguarding vulnerable children and Adults fail – to better focus on adults and children.

- Add two new risks to be added to the corporate risk register:

  - The Council is victim of Cyber crime **(**Owner: Director Customer and Digital Services) and;

  - The Council fails to comply with Information Governance legislation and industry standards (Owner: Director of Law & Governance and Monitoring Officer)

1.10 The benefits of risk management include:

- Taking timely and proportionate action to prevent risks occurring or to manage effectively
- Development and delivery of robust and effective action plans and enhancements to the governance of the organisation
- Ensuring that decision makers are fully aware of any key risk issues associated with proposals being considered at the point of decision making
- Demonstrating openness and accountability

1.11 The Council has regard to HM Government's Orange Book (Management of Risk) and assesses local application of the five principles as follows:

- Governance and leadership - The Chief Executive, supported by the Corporate Leadership Team, periodically assess the leadership style and policies of the Council. We acknowledge that human behaviour and culture significantly influence all aspects of risk management at each level. The Corporate Leadership Team

undertook a periodic, detailed, collective review of the risk register on 26 January 2022.

- Integral to organisational activities to support decision making. The assessment and management of risk is an embedded part of setting strategy and prioritising resources. It is integral to appraising options, evaluating alternatives and making informed decisions. All Committee reports to Members include a risk implications section. For example, elsewhere on this Committee's agenda today there is consideration of risk appetite in relation to insurance policy deductibles, This Land's commercial versus social outcomes, and treasury management given current economic uncertainties.

- Collaborative and informed by information and expertise. The risk register reflects the broad range of risks facing the Council. Communication and consultation are essential to ensuring an informed position, and the Audit & Accounts Committee plays an important role in challenging and reviewing the scope of risk management activity. Recent revisions to the register reflect the heightened risk perceived from organisations beyond the Council's institutional boundary, such as suppliers and subsidiary companies.

- Processes – processes are in place for the identification and assessment of risk as well as the selection of risk treatment options. Transition from the shared service arrangements (previously known as LGSS) mean that we are in the process of changing our systems for recording risk and the way that corporate resource is deployed to support frontline services with risk management.

- Continual improvement – there is continual monitoring of the risk environment and improvement through learning and experience. The annual governance statement, published alongside the Statement of Accounts, provides a yearly formal mechanism for identifying significant gaps or areas for improvement within the Council's governance framework.

1.12 Over the course of the next year, the risk management team will undertake a programme of work which challenges and assesses each of the Council's Corporate Risks. This will include an evaluation of the extent to which the controls documented in the risk register are being complied with. The intention is that for each risk three levels of assurance are given:

- Governance controls (are the planned controls proportionate and effective in mitigating the identified risk and triggers;

- Compliance (are those controls being routinely complied with in practice);

- Substantive (are the controls being effective in mitigating the risk in practice).

2. Alignment with corporate priorities

2.1 Communities at the heart of everything we do
2.2 A good quality of life for everyone
2.3 Helping our children learn, develop and live life to the full

2.4 Cambridgeshire: a well-connected, safe, clean, green environment.
2.5 Protecting and caring for those who need us

Good risk management - including the identification of risks and triggers as well development of mitigating actions - should inform decision making and areas for improvement; lead to better overall management of the Council's business, and protect the Council's assets, workforce, finances and services

3. Significant Implications

3.1 Resource Implications
All of the risks listed in the corporate risk register could potentially lead to significant financial implications if realised. There are direct impacts on our resources in relation to the partnership/contractual risks and the risk about sufficiency of budget.

3.2 Procurement/Contractual/Council Contract Procedure Rules Implications
There are no significant implications within this category

3.3 Statutory, Legal and Risk Implications
This report overviews the Council's risk management arrangements. The objective is to ensure that risks that might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner. The Accounts & Audit (England) Regulations 2015 require the authority to have a sound system of internal control which includes effective arrangements for the management of risk.

3.4 Equality and Diversity Implications
There are no significant implications within this category

3.5 Engagement and Communications Implications
There are no significant implications within this category

3.6 Localism and Local Member Involvement
There are no significant implications within this category

3.7 Public Health Implications
There are no significant implications in this category

3.8 Environment and Climate Change Implications on Priority Areas
There are no significant implications in this category

Have the resource implications been cleared by Finance? Yes
Name of Financial Officer: T Kelly

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes
Name of Officer: C Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal Services? Yes
Name of Legal Officer: F McMillan

Have the equality and diversity implications been cleared by your Service Contact?
Yes
Name of Officer: T Kelly

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

Have any localism and Local Member involvement issues been cleared by your Service Contact? No Not applicable

Have any Public Health implications been cleared by Public Health? No
Not applicable

4. Source documents

4.1 CCC Resources - Home (sharepoint.com)

Annual Governance Statement
Statement of accounts - Cambridgeshire County Council

Cambridgeshire County Council

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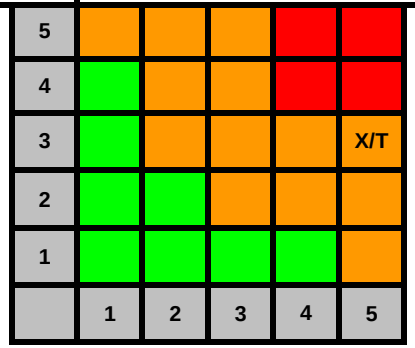
Risk	01. Council's arrangements for safeguarding vulnerable children and adults fail



Risk Owners	Executive Director, People and Communities	Current Score	15	Last Review	14/03/2022
		Target Score	15	Next Review	14/06/2022
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
01. Inherent weaknesses in safeguarding governance arrangements 02. Poor quality of practice in the delivery of responsibilities 03. Ineffective Management Oversight 04. High Caseloads 05. Number of Children with a child protection plan or in care 06. Poor Ofstead/ CQC	1. Decrease in government funding 2. Failure/handback from third party providers 3. Increased expectations on local government 4. increase in demand for services	1. Child or vulnerable adult is seriously harmed 2. People lose trust in Council services 3. Council is judged to have failed in statutory duties

Controls	Adequacy	Critical Success	Assurance
01. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews and safeguarding.	Good	Regular reporting	
02.Comprehensive and robust safeguarding training, ongoing development policies and opportunities for staff, and regular supervisions that monitor and instil safeguarding procedures and practice	Good	High quality supervision and support. Professional staff are able to continue registration with their professional bodies	
03.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	Good	Audit and inspection recognises good compliance with procedures	
04. Multi-agency Safeguarding Boards and Executive Boards provides multi agency focus on safeguarding priorities and provides systematic review of safeguarding activity	Good	Regular reporting	
05.Whistleblowing policy, robust Local Authority Designated Officer arrangements, complaints process, all of which inform practice Clear 'People in Position of Trust' policy and guidance in relation to Adults	Good		
06. Robust process of internal Quality Assurance (QA framework) including case auditing and monitoring of performance	Good	Regular auditing and reporting	

07.Multi Agency Safeguarding Hub (MASH) for both Adults and Children supports timely, effective and comprehensive communication and decisions on how best to approach specific safeguarding situation between partners.	Good		
08. Regular monitoring of social care providers and information sharing meetings with other local organisations, including the Care Quality Commission	Good	Regular auditing and reporting	
09. Joint protocols, practice standards and QA ensure appropriate joint management	Good	Regular auditing and reporting	
10. Coordinated work between multi-agency partners for both Adults and Childrens. In particular Police, County Council and other agencies to identify child sexual exploitation, including supporting children and young people transitions to adulthood, with the oversight of the Safeguarding Boards	Good	Effective and safe implementation	
11. Continue to work with the CQC to share information	Good	Regular reporting	
12. Caseloads have increased due to difficulty in recruiting qualified roles. Oversight & challenge from QA Service and the Local Safeguarding Board	Good		
13. Move to non-caseloading team Managers has increased oversight and challenge. Skilled and experienced safeguarding leads and their managers	Good		
14. Joint funded packages of Support 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	Good		
15. Adults regular meetings to monitor progress and risks with CQC regulator	Good		
16. Managing demand and ensuring adults and children receive right intervention at the right time. Implementation of Family Safeguarding and robust oversight & review of work coming through the system.	Good		
17. Regular DMT's to discuss and escalate issues	Good		

COVID RELATED TO A): * Ongoing monitoring of staff sickness to intervene prior to rates increasing	Good		
COVID RELATED: F) * Business cases to increase reablement capacity / social work capacity being applied for (Social work agreed) * Recruitment campaign on reablement and could over-recruit has been agreed	Good		

Action Plans	Assurance	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk 02. The Council doesn't have enough budget to deliver agreed short and medium term corporate objectives

Likelihood	1	2	3	4	5
5					
4					
3				X	T
2					
1					

Consequence

Risk Owners	Director of Resources	**Current Score**	12	**Last Review**	08/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	20		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. The Council spends more resources than it has by the end of the year and does not have sufficient reserves to cover cummulative variances 2. No clear policies, procedures or governance framework for budget setting and monitoring 3. Non-compliance with corporate processes 4. Poor demand management of services 5. inflexible budget 6. staff without appropriate s/k/e 7. The Council is a victim of major fraud and corruption	1. Increased demand to services 2. Economic/market conditions and pandemic recovery 3. Changes to government funding 4. Long-term Brexit implications 5. Legislative changes	1. Council is issues a s114 notice 2. The Council does not deliver its statutory responsibilities 3. People do not receive the services to which they are entitled or require, and may be harmed as a result 4. Reputational damage

Controls	Adequacy	Critical Success	Assurance
01. Robust Business Planning process	Good	Continued support from CLT to act collectively to develop budget proposals which meet the financial challenge	
02.Robust service planning, priorities cascaded through management teams and through appraisal process	Good	Staff have clarity of what is expected of them and deliver services within the available budget	

03. Integrated resources and performance reporting (accountable quarterly to S&R), tracking budget, savings, activity and performance	Good	Saving proposals delivered	
04.Operational division Finance and Performance Reports (accountable monthly to Service Committees), tracking budget, savings, activity and performance	Good	Saving proposals delivered	
05. Scheme of Financial Management, including Budget Control Report for the Council as a whole and operational divisions	Good	Clear budget process, effective engagement with it and compliance	
06.Procurement processes and controls ensure that best value is achieved through procurement	Good		
07.Regular meetings between Finance and budget holders at all levels of the organisation to track exceptions and identify remedial actions	Good	Meeting of financial targets and deadlines. Political engagement and approval	
08.Rigorous treasury management system plus tracking of national and international economic factors and Government policy	Good		
09.Rigorous risk management discipline embedded in services and projects	Good		
10.Adequate reserves	Good	Reserves held at recommended level as per section 25 statement (4%)	
11. Integrated Financial Monitoring Report	Good	Received quarterly at S&R	
12. Finance and performance Reports	Good	Received quarterly at Service Committees	
13. Financial Procedure rules	Good	Organisational awareness campaigns	
14. Anti-fraud and corruption policy	Good	Organisational awareness campaigns	
15. whistleblowing policy	Good	Organisational awareness campaigns	
16. Codes of Conduct	Good	Organisational awareness campaigns	
17. Internal control framework	Good	Organisational awareness campaigns	
18. Fraud detection work undertaken by IA, Counter Fraud	Good	Organisational awareness campaigns	
19. Awareness Campaigns	Good	Organisational awareness campaigns	

20. Anti money laundering policy	Good	Organisational awareness campaigns	
21. Publication of spend data	Good	Organisational awareness campaigns	

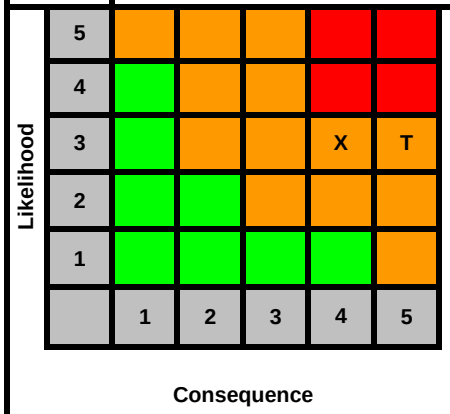
Action Plans	Assurance	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk **03. A serious incident occurs, preventing services from operating and /or requiring a major/critical incident response.**



Risk Owners	Director of Customer & Digital Services	**Current Score**	12	**Last Review**	14/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Loss of large quantity of staff or key staff 2. Loss of key premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a key supplier 5. Loss of utilities or fuel 6. Status of IT Disaster Recovery 7. Decreasing resilience in CCC services due to ongoing financial constraints and cost reduction	1. Ongoing risk of environment hazards such as flooding and severe weather 2. Pandemic 3. Cyber Attack / Cyber Crime	1. Inability to deliver services to vulnerable people, resulting in harm to them 2. Inability to meet legislative and statutory requirements 3. Increase in service demand 4. Reputational damage

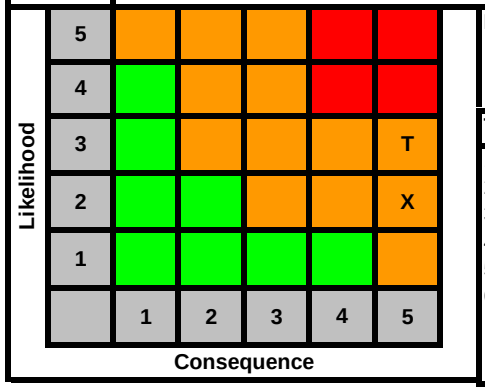
Controls	Adequacy	Critical Success	Assurance
1. Corporate and service business continuity plans	Reasonable	Up to date business continuity plans available across the Council	“Experience through Covid, has demonstrated the agility of the workforce in delivering services with regular review of BC plans which have been tested and stressed. The radical change in our operating environment, e.g. majority of staff working remotely, helps with business continuity. We have demonstrated that we can develop options in exceptional circumstances. Active engagement in reviewing BC Plans to take account of learning from Covid”
2. Relationships with trade unions including agreed exemptions	Good		“Engagement is good with regular meetings undertaken. More frequent engagement and contact with TU's throughout Covid demonstrates ability to step up engagement when required”.
3. Corporate communication channels in case of emergency	Good	Responsive media strategy	"Media, community engagement, working with and

			through comms leaders, social media campaigns, internal comms. Updating with partners, shared comms. Comms for Members, district and city as well as county. Regular comms with MP's. Frequency and intensity accelerated. "
4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum	Good		"Tactical and strategic are a part of BAU. Setting up of a range of specific sub groups with reporting up to gold strategic group. Tackle with partners specific issues. Frequency and intensity and range and nature accelerated significantly during Covid which demonstrates responsiveness"
5. IT disaster recovery arrangements	Reasonable	Up to date IT disaster recovery plans in place	Disaster Recovery tested thoroughly ahead of data centre move and then put into action 'live' during the data centre move in November 2021.
6. Resilient Internet feed	Good		"Considerable work undertaken to strengthen and improve resilience of network, high proportion of WFH for staff and Members can be sustained. Regular monitoring process and escalation"
7. Business continuity testing	Good	Regular testing undertaken	"Constantly having to reposition the delivery of the business. Constantly revised and re-written and tested, particularly those in response mode.
8. Corporate Emergency Plan	Good		Corporate Emergency Plans put into operation through recent incidents (2020/21 & 2021/22) including Flooding and Severe Weather. All stepped up alongside delivering our Covid Response/Recovery Plans.
9. IT security – data encryption, hardware firewalls, network traffic monitoring, inbound mail monitoring, spam filters, web content filtering, anti-virus software (Moved From previous risk 3)	Good		Regular monitoring of cyber security through cyber security board and dashboards tracking internal protections and external threats. Effectively dealt with threats (range of incidents in 2021/22) adopting best practice methodology for investigation/remedial action/learning. Regular liaison with the National Cyber Security Centre to keep up to date with threats/best practice.

Action Plans	Assurance	Responsibility	Target Date
Fire Safety On-line training now in place. All staff required to complete this prior to returning to a workplace (post Covid). Staff followed up who have failed to complete it. Programme of training evacuations have/are taking place, particularly with return to workplaces.		Director of Resources	31/03/2022
Testing disaster recovery plans		Director of Customer & Digital Services	31/12/2022

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council
Risk Category:
Linked Objective(s):

Risk	**04. The Council does not deliver its statutory or legislative obligations**				
Risk Owners	Monitoring Officer	**Current Score**	10	**Last Review**	11/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	8		



Triggers	**Likelihood Factors (Vulnerability)**	**Potential Consequences**
1. Major business disruption 2. Lack of management oversight 3. Negative inspection judgement 4. Poor financial management 5. Insufficient Finance 6. Personal Data is inappropriately accessed or shared.	1. Current local financial pressures 2. Ongoing national reduction in public sector funding 3. Changes to statutory/Legislative duties	1. Harm to people as a result of them not getting services they need or are entitled to 2. Criminal or civil action against the Council 3. Negative impact on Council's reputation

Controls	**Adequacy**	**Critical Success**	**Assurance**
01. Monitoring Officer role Proactive role on CLT. Sign off on all legislative changes.	Good	Lack of or reduced risk of successful legal challenge to decision making	
02. Code of Corporate Governance	Good	Lack of or reduced risk of successful legal challenge to decision making	
03. Community impact assessments required for key decisions	Good		
04. Business Planning process used to identify and address changes to legislative/regulatory requirements	Good		
05. Projects and training to ensure the implementation of legislative changes (e.g. Care Act)	Good	Lack of or reduced risk of successful legal challenge to decision making	
06. Constitutional delegation to Committees and CLT	Good		
07. Health and safety policies and processes	Good		
08. Preparation and improvement undertaken for inspections by regulators (e.g. Ofsted)	Good		
09. Service managers kept up to date with changes by Monitoring Officer / Pathfinder, Government departments, professional bodies, involvement in regional and national networks	Good	Lack of or reduced risk of successful legal challenge to decision making	
10. Mandatory data protection and security training for all staff	Good	High levels of completion of training	

11. Use of data protection impact assessments in all projects and procurements	Good	A higher rate of data protection impact assessments completed	
12. Regular communications to all staff and at key locations (e.g. printers)	Good		
13. Joint Information Management Board, chaired by senior information risk owner (CLR member), with representatives of all directorates along with Data Protection Officer and both Caldicott Guardians. Board oversees all information governance and cyber security activity	Good		
14. A comprehensive set of information and security policies	Good	Contracts with DP clauses and data processing instructions included	
15. Established procedure for notifying, handling and managing data breaches	Good	Reduced number of breaches/cyber success caused by a lack of knowledge	
16. Data breaches, training feedback and performance indicators reported to Information Management board and CLT	Good	Reduced number of breaches/cyber success caused by a lack of knowledge	
17. CLT provided with annual assurance on penetration testing around cyber security	Good		

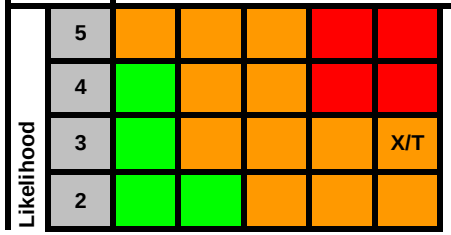
Action Plans	Assurance	Responsibility	Target Date
01. Mandatory training Currently unable to report on who hasn't completed mandatory training i.e. no exception reporting. System not sufficient. Proposal to be brought by Data Protection Officer		Data Protection Officer	14/06/2022

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk 05. The Council's human resources are not able to meet business need



Risk Owners	Head of HR Advisory	**Current Score**	15	**Last Review**	14/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	16		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Skills shortage in key areas including partners. 2. Talent management is inadequate. 3. failure to achieve a healthy organisational culture and	1. Cost of living in some areas of Cambridgeshire is particularly high 2. acute skills shortage in key areas including partners.	1. The Council is unable to recruit staff with the right skills and experience 2. Failure to deliver effective services

1					
	1	2	3	4	5

Consequence

environment
4. ineffective demand management strategies
5. ineffective workforce planning

3. EU exit impact on employment market
4. Impact of covid on the employment market
5. Increase in demand for services.

3. Reputational damage to the Council
4. Low morale and negative impact on staff wellbeing.

Controls	Adequacy	Critical Success	Assurance
1. Fair recruitment policy. Recruitment and Retention Board meets bi-monthly, focused on social care.	Good	Staffing levels support service delivery	This meeting continues to focus on key areas of challenge and concern, engaging with our providers of agency workers as well around hard to fill posts to identify opportunities to improve candidate attraction.
10. Regular Employee Engagement Surveys established to identify and respond quickly to emerging issues and concerns	Good	Employee Engagement is demonstrated through employees seeing the value of and therefore contributing to these opportunities to shape the organisation as an employer.	A number of key topics have been covered and going forward will be revisited annually including Wellbeing; Equality, Diversity and Inclusion, and How We Work. The results of these engagement surveys are discussed with CLT for an action plan to be signed off and published on Camweb clearly setting out the organisational commitment to matters raised.
2. 3 year People Strategy, endorsed by Members with accompanying action plan to ensure the right focus on recruitment, retention and talent management.	Good		Work is underway on the next iteration of the People Strategy which will be presented to Full Council in Autumn 2022 and will have a clear focus on covid recovery as well as the shifting employment market and employment challenges that the Council faces, to establish clear plans for the workforce.
3. Targeted recruitment campaigns.	Good		The Council has a central recruitment team who are dedicated to supporting Children's and Adults services – they engage with the services to understand the specific and differing challenges that they face and target recruitment campaigns accordingly, as well as maximising usage of social media channels.
4. Appraisal system linked to performance management	Good		New Our Conversations process was embedded in 2021. Feedback on the first year is being gathered and focus groups will be held in the Spring to seek further views on it's application in practice so that any adaptations can be made in conjunction with CLT.
5. HR Business Partners - work with service to help anticipate and meet the demands within each area	Good		HR Business Partners attend management team meetings and meet regularly with Service Directors to discuss workforce matters.
6. Report on quarterly basis to management teams on workforce and performance	Good		Quarterly dashboard reports on workforce matters including absence and turnover are provided to Directorate Management Teams for them to keep a focus on their workforce profile and any emerging or potential concerns.

7. Annual report to staffing and appeals committee	Good		Reports are delivered to Staffing and Appeals Committee in February each year setting out a clear review of the workforce profile and activity during the year as well as key policy changes, employee engagement activity and an update around employee wellbeing.
8. Well established consultative framework with trade unions, including fortnightly meetings throughout the Covid period	Good		These well established and positive relationships enable constructive discussions with trade union colleagues around any challenging workforce related matters, as well as an opportunity to gain valuable insights and contributions to help shape policy development.
9. Use of Consultants Policy	Good		A clear policy on the use of consultants, interim and agency workers is in place to give clarity to hiring managers about when it is appropriate to use these options, and the appropriate and compliant way to do so.

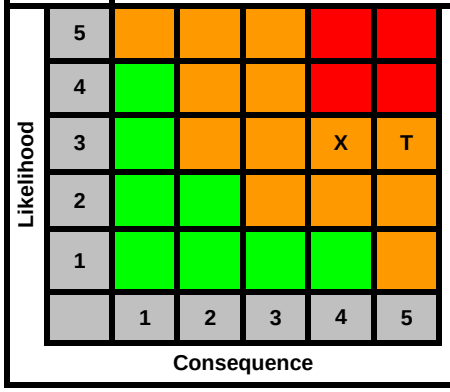
Action Plans	Assurance	Responsibility	Target Date
Development of own learning platform		Head of HR Advisory	14/06/2022
New values and behaviours framework		Head of HR Advisory	14/06/2022
Work with the service directors to create a comprehensive L&D strategy to support the wider People Strategy.		Head of HR Advisory	14/06/2022

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk 06. Insufficient infrastructure to deliver the Council's services



Risk Owners	Executive Director, Place and Economy	**Current Score**	12	**Last Review**	14/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. Insufficient funding to meet needs received from: •Growth funds •Section 106 •Community infrastructure levy •School infrastructure funding •Highways Active Travel funding 2. Partnerships do not deliver new infrastructure / services to meet needs of population 3. Infrastructure undermined due to inability to adequately	Willingness of stakeholders to embrace development Changes in grant funding Failure of a key supplier Reduced funding from devolution deals End of the Greater Cambridge City Deal programme Insufficient staffing resource and expertise to deliver key infrastructure	1. Impacts on transport, economic, environmental and social outcomes 2. Greater borrowing requirement to deliver infrastructure which is unsustainable financially 3. Increased pressure on already stretched maintenance budgets 4. Unsustainable or reduced growth 5. Growth that is not inclusive

maintain 4. Infrastructure delivery planning not tied to business planning process		

Controls	Adequacy	Critical Success	Assurance
1. Maximisation of developer contributions through Section 106 negotiations. Policy is to deal with strategic development sites through s106, not including CIL	Good		
2. Section 106 deferrals policy is in place.	Good	Agreed and adopted by the Council	
3. Capital Programme Board	Good	Regular reporting	
4. Prudential borrowing strategy	Good		
5. Review, scrutiny and challenge of design and build costs to ensure maximum value for money	Good		
6. Co-ordination of requirements across partner organisations to secure viable shared infrastructure	Good		
7. Annual school capacity return to Department for Education seeks to ensure maximum levels of funding for basic need	Good		
8. Maximise annual maintenance block funding from Central Government, maintaining band 3 of the incentive fund.	Good		

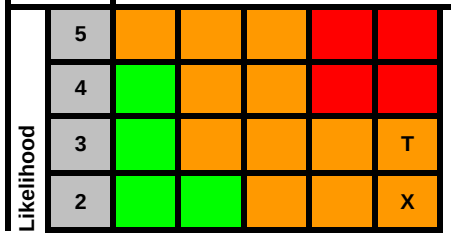
Action Plans	Assurance	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk 07. Failure to Deliver Key Council Services



Risk Owners	Executive Director, People and Communities; Executive Director, Place and Economy	**Current Score**	10	**Last Review**	11/03/2022
		Target Score	15	**Next Review**	14/06/2022
		Previous Score	6		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
01. Placement sufficiency – schools, independent sector CIC and adult placements 02. Workforce sufficiency – council and independent	01. Failure of Key Supplier 02. Change in government funding 03. Pandemic	01. Children and adults inappropriately placed leading to increased risk of harm, poor health and social outcomes

1					
	1	2	3	4	5

Consequence

sector and partners
03. Skills sufficiency
04. Lack of Business Continuity Plans for Key Services
05. Poor Contract Management
06. Poor Project Management
07. Poor Governance around Partnership working
08. Capacity issues
09. Poor Demand Management
10. Poor escalation process for concerns
11. Insufficient budget setting and management
12. Non-compliance with Corporate policies and procedures

04. Long-term Brexit implications
05. Local Elections
06. Increased Demand on key services

02. Children and adults do not receive services they need to reduce the risk of harm, reach their educational and independence potential

Controls	Adequacy	Critical Success	Assurance
01. Following the end of Covid related funding for adults care, the LA are working with key partners to ensure the adult care provision can be extended and further capacity available where needed particularly for discharge from hospitals. A proposal for funding is being submitted to Adults Committee in March to gain agreement.	Good	A market that reflects the needs of the population which it supports, in both quality and capacity, acknowledging the current workforce deficit. Contingency plans in place through the continued creation of good quality care capacity which can mitigate providers exiting the market and handing packages back. An integrated/aligned services which supports the timely discharge from hospital into appropriate community provision at an affordable price.	Weekly meeting to review concerns with the independent market from individual complaints to organisational safeguarding. Provider of concern process in place and managed via the Weekly Temperature check meeting above. Process due for review in April to ensure the readiness for the ASC Reform. Provider forums in place fortnightly by care sector to enable a regular discussion about external forces including COVID, Increase in Energy costs, increase in insurance costs etc. Contact meetings with providers undertaken on a monthly basis to ensure performance in line with key performance indicators. The development of a workforce strategy which will be system wide which creates a response to the the workforce deficit.
02. Two frameworks have been developed outlining, short, medium and longer-term plans for ensuring future sufficiency for those Children with SEND needs and also for Early Years and Childcare sufficiency which was agreed by CYP Committee on 1 March 2022. Further action plans are now in development.	Good		
03. All P&C service have adequate Business Continuity Plans in place which are reviewed regularly in light of national covid changes	Good		
04. Family safeguarding model is shown to be more effective in working with families with complex needs and continuing to work closely with key placement providers is ongoing	Reasonable		
05. Recruitment and retention of skilled staff is good in some areas and less so in others. Recruitment campaigns and agency staff are proving to be beneficial currently	Reasonable	An independent sector workforce which can expand in line with the demographic and complex needs growth of Cambridgeshire.	Workforce strategy which reflects the needs of the local workforce pressures, creates a pipeline for recruitment, establishes a standardised approach to recruitment and stards across the care sector. Supported by public sector partners and tackling the skills agenda in line with the Combined Authority.

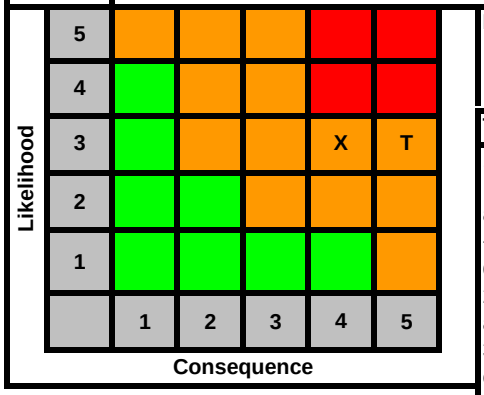
Action Plans	Assurance	Responsibility	Target Date

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Risk 08. Failure of key partnerships or contracts



Risk Owners	Director of Resources	Current Score	12	Last Review	14/03/2022
		Target Score	15	Next Review	12/06/2022
		Previous Score	12		

Triggers	Likelihood Factors (Vulnerability)	Potential Consequences
1. This Land unable to adhere to business plan: - timescales and programme slippage, assumptions about further land acquisition & promotion - assumptions and expectations, housing downturn/economics/inflation reduce profitability 2. Shared Service partners have divergent strategy or aims/priorities at odds with CCC 3. Large scale handback / collapse of major suppliers for economic/profitability reasons	This Land - arms length/commercial risk. Planning delays to date. Loan to value depleting but improved cashflows Uncertainty and major change programmes underway at partner Councils, restricted budgets across sector Significant economic and inflationary volatility	1. Financial impact of credit loss 2. Revenue impact of reduced income returns 3. Interruption to outcomes 4. Construction quality and health & safety matters 5. Reputational harms

Controls	Adequacy	Critical Success	Assurance
1. Monitoring surveyor overview of construction progress and compliance	Good	Favourable outcomes from follow up monitoring, assurance, validation check-ins	Favourable outcomes from follow up monitoring, assurance, validation check-ins
2. Validations and external appraisal to validate assumptions	Good	Favourable outcomes from follow up monitoring, assurance, validation check-ins	Favourable outcomes from follow up monitoring, assurance, validation check-ins
3. Construction contingency budget	Good	Contingency budget to be made site specific	Budget monitoring of contingency budget
4. Diversified approach across delivery, disposal, acquisitions, promotion	Reasonable		
5. Mortgages over properties/assets and work in progress	Reasonable	Floating charge also to be implemented	Some realisable collateral
6. Appointment of skilled and expert directors of This Land	Good		Board effectiveness review due at This Land
7. Partnership with other LAs - financial risk constrained by setup of section 113 or collaboration arrangements. Due Notice	Reasonable		
8. Commissioning/programme governance to identify alternative options	Reasonable		

Action Plans	Assurance	Responsibility	Target Date
Implementation of action plan in response to AY Report		Director Of Resources	01/07/2022

Risk Path: Cambridgeshire County Council/Cambridgeshire County Council

Risk Category:

Linked Objective(s):

Appendix 2

Cambridgeshire County Council

CAMBRIDGESHIRE COUNTY COUNCIL

RISK MANAGEMENT POLICY

1. INTRODUCTION

We want Cambridgeshire to be a great place to call home, and we will achieve this vision by focussing on delivering the outcomes that make the biggest difference for our communities.

The Council is a large, complex organisation and we need to ensure the way we act, plan and deliver is carefully thought through both on an individual and a corporate basis. We take a long-term and strategic view of how the Council needs to transform.

There are many factors which might prevent the Council achieving its plans. We therefore adopt a risk management approach in all of our key business processes with the aim of identifying, assessing and managing any key risks we might face. This approach is a fundamental element of the Council's Code of Corporate Governance.

Risk management in public sector organisations is not a statutory requirement however the Council recognises it is an essential component of good governance and organisational culture. The Chartered Institute of Public Finance and Accountancy (CIPFA) advises that risk management promotes innovation in support of strategic objectives and service delivery; opening the door to the possibility of taking risks to achieve positive outcomes.

Consequently, the Council has determined its risk appetite and implemented a Risk Management Policy and supporting framework.

The Risk Management Policy is fully supported by the Council, the Chief Executive and the Cambridgeshire Corporate Leadership Team (CCLT) who are accountable for the effective management of risk within the Council. On a daily basis all officers of the Council have a responsibility to recognise and manage risk in accordance with this Policy.

The Accounts and Audit Regulations 2003 state:

- The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(Additionally, the Civil Contingencies Act 2004 places a statutory duty on local authorities to establish business continuity management (BCM) arrangements to ensure that they can

continue to deliver business critical services if business disruption occurs. The Emergency Planning Camweb site details the Council's approach to business continuity management which is a key aspect of effective risk management)

2. WHAT IS RISK?

"A risk is an **uncertain** event which, should it occur, will have an effect on the achievement of objectives."

Risk management is the identification, assessement and prioritisation of risks followed by:

- The coordinated and economical application of resources to minimise, monitor and control the probability or impact of unfortunate events / threats
- To maximise the realisation of opportunities

3. RISK MANAGEMENT OBJECTIVE

The Council will operate an effective system of risk management which will seek to ensure that risks which might impact upon the Council achieving its plans are identified and managed on a timely basis and in a proportionate manner.

4. RISK MANAGEMENT PRINCIPLES

- The risk management process should be consistent and proportionate across the Council and result in timely information that helps informed decision making;
- Risk management should operate within a culture of transparency and openness where risk identification and risk escalation, as appropriate, are encouraged;
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment;
- When managing risk, the cost of any controls should be robustly assessed against the impact of the risk, i.e. the concept of proportionality;
- Risk management should be embedded in everyday business processes.

5. APPETITE FOR RISK

As an organisation with limited resources it is not proportionate for the Council to seek to fully mitigate all of the risk it faces. The Council therefore aims to manage risk in a manner which is proportionate to the risk faced.

The Council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 as per the Scoring Matrix attached at Appendix A. The

matrix itself is supported by descriptors, over 5 elements, for the impact element of the risk at Appendix B. The impact score selected will be the highest score for any of the descriptor elements.

6. BENEFITS OF RISK MANAGEMENT

- The identification of key risks which might prevent the achievement of the Council's plans. This allows timely and proportionate action to be taken to either prevent the risks occurring or to manage them effectively if they do occur.

- The development and delivery of robust and proportionate action plans, to streamline and strengthen the control environment and in turn, enhance the governance of the organization.

- To ensure that decision makers are fully aware of any key risk issues associated with proposals being considered at the point of decision making.

- To demonstrate openness and accountability to various regulatory bodies and stakeholders more widely, as well as an assurance to those charged with ensuring the effective governance of the organisation.

7 RISK MANAGEMENT APPROACH

The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across the Council.

Detailed guidance on the application of the risk management approach is set out in the Council's Risk Management Procedures. The Procedure document can be located on Camweb at: Risk Management | sharepoint.lgss.local

Additionally individual business processes, such as decision making and project management, should provide guidance on the management of risk within those processes.

8 RISK ESCALATION PROCESS

Identified risks within directorate risk registers may need to be escalated for inclusion into the cambridgeshire corporate risk register. Risks will need to be escalated if:

- The risk remains red (above the agreed risk appetite) after all available mitigations have been implemented, and;
- The relevant director deems the risk to be a significant risk to the organisation as a whole

To escalate a risk to the cambridgeshire corporate risk register: first the relevant directorate management team must agree that the risk meets the escalation criteria

above and recommend it goes forward to be included within the cambridgeshire corporate risk register.

In practice this will be the next available corporate leadership team (CLT) meeting and, if agreed, the relevant director will advise the Head of Audit & Risk of the new corporate risk to enable immediate updating of the risk management software and to ensure the new risk is monitored and reported in line with the risk management procedures.

A risk may be de-escalated from the cambridgeshire corporate risk register to directorate risk registers if CLT and Audit and Accounts Committee consider that the risk can be managed within a directorate's risk register.

Similarly, there may be times when a service level risk needs to be escalated to the directorate risk register. This should be managed through Directorate Management Team meetings.

9 TRAINING AND DEVELOPMENT

The Council recognises that the effectiveness of its risk management approach will be dependant upon the degree of knowledge of the approach and its application by officers and councillors. This will be supported through the delivery of formal training programmes, risk workshops, briefings and internal communication channels.

10 CONCLUSION

Compliance with the risk management approach detailed in this policy will ensure that the key risks faced by the Council are recognised and effective measures are taken to manage them in accordance with the defined risk appetite.

Appendix A

RISK MANAGEMENT SCORING MATRIX

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

Red: excess of Council's risk appetite
action needed to redress, quarterly monitoring

Amber: likely to cause the Council some difficulties
quarterly monitoring

Green: monitor as necessary

IMPACT DESCRIPTORS **Appendix B**

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	0-10%	10-40%	40-60%	60-90%	90%+
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee 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 local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to the Council's policies and/or sustained negative media reporting in national media

Please note – these descriptors are a guide and there maybe exceptions depending on the type of risk.

APPENDIX 3

RISK APPETITE STATEMENT

Risk appetite is the level of risk the Council are prepared to tolerate or accept in the pursuit of its strategic objectives. The Council's aim is to consider all options to respond to risk appropriately and make informal decisions that are most likely to result in successful delivery, while also providing an acceptable level of value for money. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

The Council recognises that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. We illustrate our risk appetite in the matrix below. The red area represents the outer limit of our risk appetite. As a Council we are not willing to take risks that have significant negative consequences on the achievement of our objectives.

RISK SCORING MATRIX

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

Risk scores 16 to 25 Excess of Council's risk appetite

Risk scores 5 to 15 Likely to cause the Council some difficulties

Risk scores 1 to 4 Monitor as necessary

RISK RESPONSE

Risk Rating		Guidance to Risk
16-25	Risk at this level sits above the appetite of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.	Identify the actions and controls necessary to manage the risk down to an acceptable level. Steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls). Risks that remain at this level will be escalated to CCLT, who will actively monitor and provide guidance on the ongoing management of risks at this level.
12-15	These risks sit on the borders of the Council's risk appetite and so while they do not pose an immediate threat, they are still risks that should remain under review. If the impact or likelihood increases then risk owners should seek to manage the increase.	Keep these risks on the radar and update as and when changes are made, or if controls are implemented.
5-10	These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.	Keep these risks on your register and formally review once a quarter to make sure that the impact and likelihood continues to pose a low level.
1-4	Minor level risks with little consequence but not to be overlooked completely. They are enough of a risk to have been assessed through the process, but unlikely to prevent the achievement of objectives.	No actions required but keep the risk on your risk register and review quarterly.

Audit and Accounts Committee Forward Agenda Plan

Updated 23rd May 2022

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Financial Reporting and Related Matters Update – Monitoring at each meeting, covering Integrated Finance Monitoring Report. Lead officers: Tom Kelly/Justine Hartley/Michelle Parker
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update and Update on the value of the National Fraud Initiative. Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date. Lead Officers: Neil Hunter/Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
31/05/22 (17/05/22)	Annual Procurement Report	Annual	Section 151 Officer/ Head of Procurement	Tom Kelly Clare Ellis
	Draft Annual Governance Statement	Annual	Head of Internal Audit	Mairead Claydon
	Annual Internal Audit Report	Annual	Head of Internal Audit	Mairead Claydon
	Consultancy Report	Six monthly	HR/ Procurement	Janet Aitkin
	External Auditors' VFM Conclusion for year ended 31/03/18	-	External Auditor (BDO)	Lisa Blake/Barry Pryke
	Audit Results Report Addendum for year ended 31/03/21	-	External Auditor (EY)	Mark Hodgson
	Performance Management Framework		Head of Business Intelligence	Tom Barden
	Debt Management Six Monthly Progress Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
	Major Infrastructure Delivery Update	-	Executive Director – Place & Economy	Steve Cox
	Manor Farm Update	-	Monitoring Officer	Fiona McMillan

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
22/07/22 (14/07/22)	Draft Cambridgeshire County Council Accounts 2021-22	Annual	Strategic Finance Manager	Eleanor Tod
	Draft Annual Governance Statement 2021-22	Annual	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
	Draft Cambridgeshire County Council Pension Fund Annual Report and Statement of Accounts	Annual	Strategic Finance Manager	Eleanor Tod
	Draft Cambridgeshire Pension Fund External Audit Plan	Annual	External Auditor	Mark Hodgson, EY
	County Council External Audit Plan 2021-22	Annual	External Auditor	Mark Hodgson, EY
	Internal Audit Plan Annual Report 2021-22	Annual	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
	Annual Whistle Blowing Report	Annual	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
29/09/22 (21/09/22)				
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
24/11/22 (16/11/22)	Debt Management Six Monthly Progress Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
09/02/23 (01/02/23)	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson

+ = indicates Exempt report

REPORTS TO BE PROGRAMMED AS SUBJECT TO ONGOING INVESTIGATIONS/ADDITIONAL WORK

FACT, HACT and ESACT Recovery of Monies This is currently the subject of a Police investigation	One-off Report When the report comes forward it may require a separate confidential appendix if it contains commercially sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded, any updates remain commercially sensitive.	Director of Resources and Chief Financial Officer / Service Director Highways and Finance	Tom Kelly