AUDIT AND ACCOUNTS COMMITTEE

Tuesday, 24 November 2020

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

<u>14:00</u>

Shire Hall
Castle Hill
Cambridge
CB3 0AP

COVID-19

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

AGENDA

Open to Public and Press

1.	**Apologies for absence and declarations of interest** *Guidance on declaring interests is available at http://tinyurl.com/ccc-conduct-code*	
2.	**Audit and Accounts Minutes 30th October 2020**	**1 - 12**
3.	**Minutes Action Log**	**13 - 22**
4.	**Petitions and Public Questions**	
5.	**Accounts Reports**	
5a)	**Statement of Accounts 2019-20**	**23 - 278**

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 & 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information)

The Audit and Accounts Committee comprises the following members:

For more information about this meeting, including access arrangements please contact

Councillor Mike Shellens (Chairman) Councillor Terence Rogers (Vice-Chairman) Councillor Peter Hudson Councillor Mac McGuire Councillor Tom Sanderson Councillor David Wells and Councillor John Williams

Clerk Name:	Rob Sanderson
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Agenda Item: 2

Audit And Accounts Committee: Minutes

Date: 30th October 2020

Time: 2.00 pm – 3.24 pm

Place: Virtual Meeting

Committee Members Present:

Councillors: P Hudson, M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman), D Wells and J Williams

Officers Present:

Ben Barlow Fund Accounting Manager for Minute 272	Neil Hunter Head of Internal Audit for Minutes 273 and 274
Fiona Coates Pension Services Financial Manager for Minute 272	Tom Kelly Head of Finance
Mark Hodgson Associate Partner Ernst and Young LLP External Auditor	Rob Sanderson - Democratic Services Officer

268. Apologies for Absence Declarations off Interest

No apologies were received.

269. Minutes of The Audit And Accounts Committee Dated 22nd September 2020

On Minute 264 titled 'Debt Management Update' Page 6 bullet point 4 in the first line the Vice-Chairman pointed out the figure £4.59 debt over 730 days should read £4.59m.

It was resolved:

> That subject to the above correction, the minutes of the meeting held on 22nd September 2020 were agreed as a correct record and would be signed by the Chairman when Shire Hall was re-opened.

Issues raised on the minutes:

- Referencing on page 6 the same debt figure of over 730 days of £4.59 m of which £2.6m was CCG debt, the Chairman asked if there was any update on whether any more of this had been recovered since the last report? The Director of Finance explained that recovery was a long term project and therefore the figures were currently the same as previously reported. Officer had already committed to bring back a report to the 26Th January Committee meeting.

270. Minute Action Log Update

Referencing Minute 265 Internal Audit Plan g) the Chief Internal Auditor briefing the Chairman on Audit Plan changes outside of the meeting - this was still an outstanding action which the Chairman still required. Action: Chief Internal Auditor / Head of Internal Auditor to provide a briefing on the changes before the next meeting.

It was resolved:

To note the Minute Action Log.

271. Petitions And Public Questions

None received for either by the County Council Constitution deadlines.

272. Pension Fund Annual Report and Statement of Accounts

This report sought approval to the final Statement of Accounts and to note the Annual Report of the Pension Fund for the 2019-20 financial year, (the latter of which had already been approved by the Pensions Committee) and to view the findings of the External Audit ISA 260 document included as one of the appendices to the report.

The report author Ben Barlow highlighted that he had already had a pre-meeting discussion with the Chairman who had made grammatical improvement suggestions which would be taken on board and included in a final published version of the document. He highlighted that the audit itself had gone very smoothly despite the Covid-19 restrictions with the Annual Report and Statement of Accounts having already been received twice by the Pensions Committee and once previously this Committee.

Mark Hodgson the External Auditor for the Cambridgeshire Pension Fund introduced the EY ‘Audit Results Report’ for the year ended 31st March’ included as Appendix 2 (the ISA 260 report). He confirmed that there had been no major issues apart from changes to the risk assessment as a result of the Covid-19 crisis as previously discussed at the July Committee. He was able to update the meeting that the outstanding matters listed in the report had been completed since report publication and he was now in a position to sign off an unqualified audit opinion on the Pension Fund Financial statements ahead of the statutory deadline of 30th November 2020 but was holding off final sign off until the main Council accounts were received by the Committee in November.

From the Executive Summary he drew attention to the following:

On page 115

- The changes to the risk assessment in relation to 'Disclosures on Going Concern'.
- To events after the balance sheet date and the identified increased risk that might need to be disclosed to reflect the specific circumstances of the Pension Fund.
- Changes in the materiality level on the measure of net assets resulting in an updated level of £30.15m.

- On page 116 it was highlighted that there were no unadjusted audit differences.
- On page 117 highlighting Private Equity and Infrastructure valuation uncertainties and the estimated asset valuations for Level 3 assets. A more up to date value at 31st March than those valuation estimates made at December 2019 (adjusted for cash flow at March 2020) showed the asset balance had been overstated by £16.99 million but this was explained as being a timing difference due to the snap shot date and had been adjusted within the revised financial statements.
- A limited number of audit disclosure differences had been identified in the draft accounts and had subsequently been adjusted by Finance Management. The most significant being the need to include a 'Going Concern' note and to include an additional disclosure narrative in respect of the valuation uncertainty expressed within the valuer's report for Pooled Property Assets.
- No significant deficiencies had been identified in internal controls.
- Page 118 set out the areas of Audit focus undertaken in identified significant risk areas and other areas of audit focus. Apart from the issue already highlighted for 'Going Concern' there were no matters to report.
- Page 122 detailing that the valuation of the Cambridge and County Bank by the management specialist had been found to be reasonable, and was considered to be within best practice range and was materially accurate.
- The representation letter was included as appendix D to the EY report with nothing additional being required from the County Council management side.

Mark Hodgson went on record to thank the finance officers for helping make it a very clean audit with very few required adjustments given the constraints imposed by the Covid-19 crisis since March.

On the Audit Results Report issues raised included:

- Asking would the extra work involved around the Covid-19 crisis affect the fees set out on page 138 as Members noted that no details were provided in terms of the revised scale fee which would impact on the total Fund Fee which was also currently reading 'to be confirmed'. It was confirmed that there would be an increase in the final fee but the final figure had not yet been calculated.

– In response to a query on whether the Cambridge Building Society was classed as a pooled investment, it was clarified that it was not.

– Referencing paragraph 2.6 reading "*The one-year investment returns as at 31st March 2020 was a net market loss of £191.1m. The investment return for the Fund over the financial year was -5.7% compared to the Fund's weighted benchmark return of -3.3% reflecting the financial situation brought about by the COVID-19 pandemic and the active investment management decisions made by the Fund"* .there was a request that a comparison should be given on the scale of the loss compared to other similar Funds as it was not possible from the statement to obtain a notional feel for how the fund managers working for the Cambridgeshire Fund had performed during the pandemic compared to others. It was explained that making comparisons between different Pension Funds was very difficult as no two Funds invested in the same way in terms of equity, property etc. The Vice Chairman who was also the Chairman of the Pensions Committee indicated that he had a copy of a benchmarking paper that he was happy that officers share with the Committee. Action: Ben Barlow

– One Member queried whether due to Covid-19 and the restriction in being able to visit offices there was a risk that important areas may have been missed as part of the External Audit compared to the position in previous years when the Auditors were able to visit the physical offices and speak to officers face to face. Mark Hodgson was able to provide assurance that the full suite of documents required to meet the list of audit objectives had been received and in many ways the use of virtual Microsoft Teams meetings etc. had made it easier than if the audit officers had to physically travel to an office and in fact through the virtual meetings platforms more meetings had taken place.

In respect of the Cover report, the Pensions Accounts and Annual Report appendices issues raised included:

- Page 35 - Performance Indicators table – explanation requested on the large increase in the actual management expenses for all three headings compared with the original estimate. This was mainly due to a timing issue with administration costs for expenditure that had been paid within the year which related to the prior year, of which a breakdown had already been provided to the Pensions Committee. For investment manager expenses, the actuals included invoiced costs and fees were deducted from the net investment value. However the forecast only included invoiced costs. ACTION: Fiona Coates undertook to provide details of the breakdown of the invoiced and non-invoiced costs.

- In answer to a query, it was confirmed that no key performance indicators for the Service had failed to meet their legal target with key performance indicator targets being reported quarterly to the Pensions Committee
- Referencing page 48 on Management and Financial Performance citing Huntingdonshire College as an example, but applicable to other employers on other pages, why in some cases were there employee contributions shown but no employer contributions. It was explained that as the Actuarial Valuation was only undertaken every three years they may have overpaid employer contributions previously and were now in surplus so that the employers did not owe contributions.
- On a query in respect of if there was a change in national legislation regarding banning investment p in specific countries how would investment managers working to a specific mandate be able to react and modify their mandate, it was explained that there were protocols in place and any regulation changes would be known by officers in advance and would be submitted to Committee. Fund managers would then be required to provide evidence that they were complying with any such changes and this applied to a change of national policy or fund investment policy. National directives were not ones that changed that rapidly and there would be time to alter fund manager mandates.
- Page 52 - Investment Policy and Pooling - In terms of access pooling a question was raised regarding what percentage proportion of the Access Fund costs and investment costs were down to Cambridgeshire compared to the other 10 funds included in the Pool. The Vice Chairman explained that the costs were divided equally between the eleven funds.
- Page 52 regarding providing an explanation of the line titled ‘Implicit / Indirect transactions costs’ these were costs not directly paid for e.g. opportunity costs such as loss of income, depreciation and were not a direct cost to the Accounts.
- Page 53 querying why in the text it was stating “*the Investment Strategy Statement approved by the Pension Committee in March 2019 had objectives of reducing the Fund’s reliance upon and the associated risks, of a large allocation of equities* ….” but the two pie charts below on the same page showed that the Strategic Allocations from 1st April 2019 and the Strategic Allocations chart for 31st March 2020 showed that equities had increased from 58% to 61.1% It was explained that at the point in time shown, the Fund had not yet finished moving money out of equities into alternative assets as the move takes time. The Vice Chairman was also able to clarify further that there had been a sale of alternative assets and the proceeds from this had been put into passive equities to obtain interest before being re-invested.
- Page 61 - An incorrect figure on the Fund’s value had already been corrected in a revised version of the Accounts.

- Page 64-65 - it was confirmed that the two blank pages with the heading 'Audit Opinion' would be where the External Audit Report would appear in the final version of the document.
- Page 76 Pooled Property Fund on the text on the right hand side of the page reading "*At this time it was not possible to accurately predict the scale of the impact of COVID-19 on the economy and as a result 2019-20 Pooled Property valuations have been based on information prior to the outbreak, on the assumption that the value will be restored once property markets resume"* the Chairman suggested an estimated time span would have been useful.
- Page 78 - Note 14 questioning the huge fall on equities showing £377,322 million at 31st March 2019 and only £1 million as at 31st March 2020 – this was due to a transition during the year and of residual equities were left in the Account which had now been sold.
- Page 90 Under the heading 'Other Price risk-sensitivity analysis' the Chairman queried the use of the phrase in the second paragraph reading "one-standard deviation movement" – the officers would check but believed it was CIPFA wording. Action: Fiona Coates

  Page 93 – explanation was requested regarding the last line reading "*During the year the Fund partially hedged the currency exposures on its equity investments by transferring into currency hedged share classes of its passive equity funds"* - It was explained that this was to protect its value due to the fluctuation of currency rates. The wording in the paragraphs had been changed following concerns expressed by the Chairman at the July meeting that the previous wording suggested that fund managers were gambling rather than undertaking calculated measures to protect holdings.

It was resolved unanimously to:

a) Approve in principle the Final Statement of Accounts and note the Annual Report of the Pension Fund for the 2019-20 financial year on the basis that the final version would be included in the main accounts report due to be presented to the November Committee meeting.

b) Note the findings of External Audit documented in the ISA260.

273. Whistleblowing Policy Annual Report

The Committee received Internal Audit's annual report produced to help identify any patterns of concern, and in order for the Committee to be able to assess the effectiveness of the Policy. Although the report had already been circulated to the Committee by e-mail in July, (as part of the requirements of the Virtual Meetings Protocol that Committees should not receive information only reports), due to concerns expressed by both the Vice-Chairman and the Chief Internal Auditor, this report and the next report were included on the agenda to allow the Committee to review and comment on both, before, as there designation had been changed to reports for decision, formally approving them.

The Committee was informed that the Whistleblowing Policy (included as Annex A to the report) had been revised and updated in January 2020 for key officer contact information and the Public Concern at Work to Protect. As the report did not detail what changes had been made to the key officer contact information, the Chairman requested that this should be provided in an e-mail outside of the meeting. ACTION: *Neil Hunter to look into and write to the Chairman* Details were also provided of a publicity campaign undertaken to promote the Policy and to help provide a greater awareness of whistleblowing processes.
In line with the Policy to gauge staff awareness of the Policy, a staff survey was carried out in December 2019. One hundred randomly-selected members of staff were asked to complete an online survey with 42 responses received. The results showed that 95% of staff were aware of the Whistleblowing Policy and 98% of staff confirmed that they would feel confident in raising a serious concern either with their line manager, another senior member of staff, or via the Whistleblowing Policy.

The report highlighted that Internal Audit had been advised of 21 cases raised under the Whistleblowing process in 2019/20 with the table in 5.1 of the report showing a breakdown of their outcomes without disclosing any .confidentialities.

In discussion issues raised included:

– Whether a 42% response rate was considered sufficiently robust and asking how many reminders had been sent. One reminder was sent and the response rate while it was conceded could be higher, had to be tempered by realism, as it was not compulsory for staff to have to respond.

– Stating that it would have been useful to have details of what number a 100 represented from the total County Council workforce and also to have analysed whether a 42% response suggested that only 42% of those surveyed were in fact aware of the Policy.

– There was a request that in future presentational changes to the Policy should be shown in a side bar, as it was not possible for the Committee to see what changes had been made from a previous version of the Policy.

– Suggesting that it would have been useful to provide a reason why the number of cases had increased to 21 from what had been 14-16 cases in a previous report as this appeared to be a significant increase (and could also have highlighted whether any referrals could be linked to the Pandemic). Officers saw any increase in referrals as being positive as it demonstrated that staff felt empowered to be able to put forward complaints and also could be seen as a gauge of the success of the publicity campaign reaching out to more staff. Officers would be more concerned if the number reduced to zero.

The officer undertook to take on board the comments made in order to help improve the next annual survey and the future presentation of the report to Committee.

Having considered and commented on the report,

It was resolved unanimously:

To approve the report and the revised Whistleblowing Policy.

274. Internal Audit Draft Annual Report 2019/20

The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Audit & Accounts Committee to receive his opinion regarding the state of the Internal Control Framework within Cambridgeshire County Council forming part of the evidence supporting he Authority's Annual Governance Statement for 2019–20. The annual opinion was required to be based on an objective assessment of the framework of governance, risk management and control and included an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

The Chief Internal Auditor's opinion had been derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan. It had taken account of the relative materiality of the areas, and Management's progress in addressing control weaknesses. He highlighted that the COVID-19 Pandemic had affected a number of planned audit assignments but believed that sufficient work had been completed to allow an evidence based opinion to be given. He also confirmed that in line with Public Sector Internal Audit Standards (PSIAS) requirements he was able to confirm that the Internal Audit service had operated with an adequate level of resource to deliver an annual audit opinion and that the Internal Audit operated independent of the organisation and there have been no compromises of Internal Audit's independence in its operation during the year.

The Chief Internal Auditor's opinion as set out in the report was as follows:

"On the basis of the audit work undertaken during the 2019/20 financial year, an opinion of satisfactory assurance is awarded. This remains unchanged from 2018/19. This opinion is caveated as the key financial systems audit reviews of Payroll, Treasury Management, General Ledger, Bank Reconciliation and IT System controls were not completed in the financial year 2019/20 due to Covid-19 pressures."

Issues raised in the consideration of the report included:

– Asking why the opinion was not classed as 'good'. It was explained that some areas had only been able to show limited assurance and also as a result of Covid-19 restrictions, Internal Audit had been unable to complete key financial systems as referenced in the Internal Auditor opinion set out above. The opinion was based on the fact that full audits had been undertaken in 2018-19 when good or satisfactory assurance had been received. The referenced systems would be reviewed again as part the Internal Audit reviews to be undertaken in 2020-21. Members however remained concerned that as there had not been a full audit in those areas for what would be going on to two years if they awaited the normal timescales they could potentially be waiting another 6-9 months to receive updated information. As a result, the Committee requested that interim reviews should be undertaken on all key financial systems that had not had a completed review during 2019-20. Action: the Head of Internal Audit to forward the request to the Chief Internal Auditor.

– Paragraph 4.2.2 Table 2 titled 'Key Financial Systems Audits 2019-20' - The Chairman highlighted that for the Debt Recovery 2019-20 audit this was still showing as limited for Compliance, the same audit rating as in 2018-19 while noting the Environment element had improved from limited to satisfactory. The Head of Internal Audit explained that from the 2019/20 audit there was already a suite of recommendations for suggested improvements that would be monitored in the normal way and with the Audit for 2020-21 already scheduled.

– Anti-Fraud and Corruption Paragraph 4.6.5 Table 3 – A query was raised on open cases shown and whether they had now been closed. An update would be provided in the Quarterly Internal Audit Report to be reported to the November meeting. Action: Head of Internal Audit

– Page 192 - Regarding the National Fraud Initiative matching exercise, the Chairman queried whether for all the effort undertaken to detect fraud as set out in the table in paragraph 4.6.12 it was worth the time and effort involved for what appeared to be relatively small savings / overpayments and whether a year off from such activity would allow resources to be re-directed to higher yielding saving areas. The officer pointed out the notional savings also needed to be taken account of the fact that where prosecutions were undertaken and publicised, these often had a deterrent effect. Paragraph 6.14 did highlight that NFI required councils involved in the pilots to record outcomes from the matches and place a monetary value where possible to reflect any overpayments / savings arising for the correction of their records. ACTION: The Head of Internal Audit would take the Chairman's suggestion back to the Counter Fraud Team.

– Para 4.7.2 - Cybersecurity and Public Sector Compliance (PSN) - in reply to a query on what cyber security weaknesses had been found, details could be provided in an email outside of the meeting on the progress of the agreed actions to address the control weaknesses identified in the Cybersecurity and Public Sector compliance review as this was not appropriate to be discussed in a public meeting.

- Paragraph 4.7.3 reading "*IT Service Desk Review (Draft report issued). At draft report stage the adequacy of system and compliance opinion for this audit were both Limited. This was due to Service Desk performance not meeting Key Performance Indicators (KPI) targets at the time of audit. From our discussions with the new LGSS Head of IT in January 2020, we were informed of good progress"* In response to a question on what the issues had been, they involved two of the Help Desk KPI's regarding speed of responses and abandoned calls which had been addressed through staffing level changes. There was another scheduled audit in the 2020-21 Plan.

- Appendix A - Highways Contract Open Book review 2019-20 - the Chairman was aware of the first part of this review and was concerned regarding the over-recovery of costs which suggested that the Council had overpaid for services received from the contractor, and was now seeking to recover costs. The Head of Internal Audit highlighted that there was still an ongoing Stage 2 audit and work was proceeding with a third party which was commercially sensitive. As a result of concerns raised, linked to ongoing issues regarding contract monitoring, the Committee requested that a report should come back to the November Committee and the Service Director invited to attend the 24th November to explain the reasons for why overpayments had been made leading to a position where the Council was seeking to recover monies already paid out. If necessary, due to any business sensitive commercial considerations, this would be taken in the exempt/ confidential section of the agenda. Action: Executive Director Place and Economy / Service Director for Highways and Transport.

- Appendix A Summary of Completed Reviews – As raised at the previous meeting and at earlier meetings, a Member of the Committee highlighted that the Manor Farm Tenancy Investigation was still outstanding. The Committee had been informed at the last meeting that the Manor Farm Tenancy investigation had been completed and all stakeholder comments received, the last having been received the day before the September Committee meeting. However, the Committee was still not being given any indication when the report would come forward to Committee. Members, including the Chairman, expressed their frustration that there was still no report after two years and that they and not been given any meaningful details on the results of the investigation. One Member highlighting that while the stakeholders had been provided with a draft copy of the report to comment on, the Committee Members were still not privy to its contents. The Chairman indicated that he was aware that as a result of stakeholder feedback some changes had been made to the report and a further fact checking exercise was being undertaken, but commented that he had also not been provided with the details of the revised report. As a result of the strong concerns felt by the Committee members regarding the continued delays and lack of transparency in keeping the Committee fully informed and also a desire to receive a report before Purdah that could be debated, if at all possible, in public, there was unanimous approval that the Council's Chief Internal Auditor and (as the Committee was being told at the last meeting that there were still ongoing legal exchanges between certain parties which were preventing a finalised report being presented) the Monitoring Officer should prepare a report for November. This should explain the reasons for the delay in the report coming forward and include the investigation report itself. ACTION: Chief Internal Auditor / Monitoring Officer.

It was resolved unanimously:

a) To approve the Annual Internal Audit Report.

b) To receive an update report on issues around overpayments on the Highways Contract Open Book Review 2029-20

c) To receive the finalised Manor Farm report including the reasons for the long delay in its production.

275. Forward Agenda Plan

Following a further review by Group Leaders in respect of including information reports on the agenda, they had updated their advice to agree that Committees should have the discretion going forward on what to include on the formal agenda and what could be circulated by e-mail. One Member suggested that he was happy to leave it to the Chairman / Vice Chairman to decide as part of any informal pre-meeting / agenda meeting process. This was endorsed by the whole Committee.

In terms of the current agenda Plan for the November meeting, as already agreed, there should be additions in relation to Manor Farm and an explanation of the overpayment on the Highways Contract.

On those reports listed which were of an information / monitoring nature, the Safe Recruitment Update and Transformation Update should be included on the formal agenda for consideration at the meeting, with the other information reports circulated by e-mail.

On the issue of reports still to come forward as listed in red at the end of the Forward agenda plan, the Chairman had indicated earlier in the meeting that it was his understanding that BDO had arranged a meeting with the Chief Executive to go through the remaining outstanding questions.

The Director of Finance on being asked the question, was able to give assurance that the Accounts would be ready for the scheduled November meeting and that there would not be any need for any additional Committee meetings to be arranged.

The Chairman also asked that Democratic Services truncate future agenda plans to only show the meetings up to the next local elections to May 2021.

It was resolved:

To note the Forward Agenda Plan with the changes agreed.

276. Date of next meeting 2.00 p.m. 24th November 2020

CHAIRMAN
24th November 2020

Audit and Accounts Committee Minutes-Action Log

This is the updated action log as at 13th November 2020 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 22nd September 2020					
Minute number	Item title	Responsible officer(s)	Action	Comments	Action status
265.	Internal Audit Plan a) Outstanding Audit Recommendations from previous reviews	Neil Hunter	At the meeting it was reported that Internal Audit team had recently restarted monitoring and would revisit outstanding recommendations to confirm they remained relevant and proportionate through discussions with Services and that all relevant recommendations would either be confirmed as having been implemented, or that revised dates for implementation agreed.	The intention would be to provide an update in the Internal Audit report to the November meeting on revisions to the Audit Plan.	Ongoing

265.	Internal Audit Plan				
	a) Update report on Changes to Audit Plan	Neil Hunter	In terms of proposed changes to the Audit Plan, the Chief Internal Auditor indicated that a further report could be ready to come back to the Special Meeting in October to approve a revised version.	This update would now come forward to the November Committee meeting as part of the Internal Audit Progress Report	Ongoing
	b) Supplier relief – Internal Audit further focus on additional spend over £20k	Neil Hunter	The Chairman asked when there might a be a report back on this work to ensure there were still good rick management procedures in place	The details would be coming back as part of the next Internal Audit update report which was scheduled for the November meeting.	Ongoing
	c) Briefing on Audit Plan Changes		While the Chairman accepted that Covid-19 impacts had required changes to the agreed Audit Plan, he asked to be briefed as soon as practicable on what had been removed, as it was important for him and the Committee to be aware of what had changed.	The Chief Internal Auditor would arrange a briefing outside of the meeting. There was to be an update report to the November meeting as part of the Internal Audit Progress report. However the Chairman reiterated that he required a briefing sometime prior to the November meeting so that he could be updated on the changes that had been made and the reasons for them.	

Minutes of 30th October 2020					
272	Pension Fund Annual Report And Statement Of Accounts				
	a) paragraph 2.6 To	Ben Barlow / Fiona Coates	To provide benchmarking details comparing the Fund to others	An update was included in an email sent to the Committee on 12th November. See appendix A to this action log.	Completed
	b) Page 35 Performance Indicator table -	Fiona Coates	To provide details of a breakdown of the invoiced and non- invoiced costs around investment Managers expenses	An update was included in an email sent to the Committee on 12th November. See appendix A to this action log.	Completed
	c) Page 78 Note 14	Fiona Coates	to check on the phrase 'One standard deviation movement'	An update was included in an email sent to the Committee on 12th November. See appendix A to this action log.	Completed
273.	Whistleblowing Policy Annual Report				
	a) Key officer contact changes	Neil Hunter	As the report did not detail what changes had been made to the key officer contact information, the Chairman requested that this should be provided in an e-mail outside of the meeting.	Oral update on progress to be provided	
	b) Suggestions for future reports	Neil Hunter	Providing more detail in terms of the staff survey sample in terms of the number used what percentage this was of the total County Council workforce.	To be kept on log until the Annual Report was resubmitted in 2021	Action ongoing

	c) To show changes to the Policy		Request that changes should be shown using sidebars so that Members could see the changes made to the previous version.	To be kept on log until the Annual Report was resubmitted in 2021	Action ongoing
274.	Internal Audit Draft Annual Report 2019-20				
	a) interim reviews on Key Financial Systems	Neil Hunter	As Covid had prevented the completion of reviews in 2019-20 and Members were concerned that as there had not been a full audit in those areas for what would be going on to two years it was requested that interim reviews should be undertaken on all key financial systems. The Head of Internal Audit undertook to forward the request to the Chief Internal Auditor.	Oral update on progress to be provided	
	b) paragraph 4.6.5 Table 3 Anti-fraud corruption open cases	Neil Hunter	A query was raised on open cases shown and whether they had now been closed.	An update would be provided in the Quarterly Internal Audit Report to be reported to the November meeting.	

	c) National Fraud Matching Exercise	Neil Hunter	The Chairman queried whether for all the effort undertaken to detect fraud as set out in the table in paragraph 4.6.12 it was worth the time and effort involved for what appeared to be relatively small savings / overpayments and whether a year off from such activity would allow resources to be re-directed to higher yielding saving areas. The suggestion would be taken back to the Counter Fraud Team.	Oral update on progress to be provided	
	d) Para 4.7.2 - Cybersecurity and Public Sector Compliance	Neil Hunter	In reply to a query on what cyber security weaknesses had been found, details could be provided in an email outside of the meeting on the progress of the agreed actions to address the control weaknesses identified in the Cybersecurity and Public Sector compliance review as this was not appropriate to be discussed in a public meeting.	Oral update on progress to be provided	

	e) Appendix A - Highways Contract Open Book review 2019-20	Richard Lumley / Graham Hughes	The Committee requested that a report should come back to the November Committee and the Service Director invited to attend the 24th November to explain the reasons for why overpayments had been made leading to a position where the Council was seeking to recover monies already paid out.	This was likely to be an appendix (possibly confidential) to the Internal Audit progress report which would be sent out after the initial agenda despatch as the changes to the Internal Audit Plan included in the report required to be cleared first by Joint Management Team who were not meeting until 19th November. Any discussion of any confidential business sensitive information will require that the Press and Public be excluded.	
	f) Appendix A Manor Farm	Duncan / Wilkinson/ Fiona McMillan	There was unanimous approval from the Committee that the Council's Chief Internal Auditor and the Monitoring Officer should prepare a report for November. This should explain the reasons for the delay in the report coming forward and include the investigation report itself.	A report from the Chief Internal Auditor is included on the agenda that explains the current positon, the process that is currently still being undertaken and the revised timeline, including why it was not possible to provide the final report for the November meeting.	

Appendix A

Email sent to the Committee dated 12th November – Additional Information requested from 30th October Audit and Accounts Committee when considering the Pension Accounts

Dear Audit and Accounts Committee

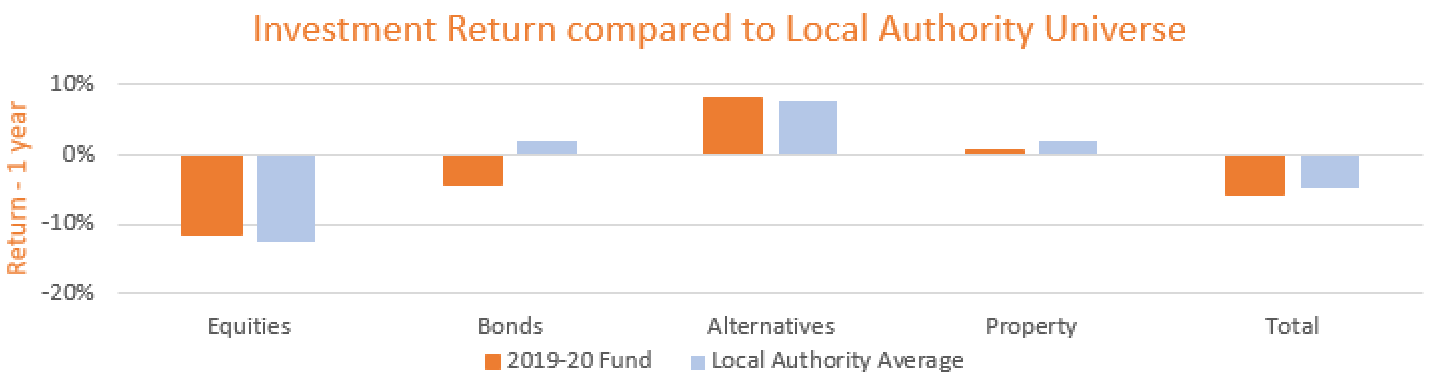
Please see below the response provided from Fiona Coates as set out below.

Bench marking

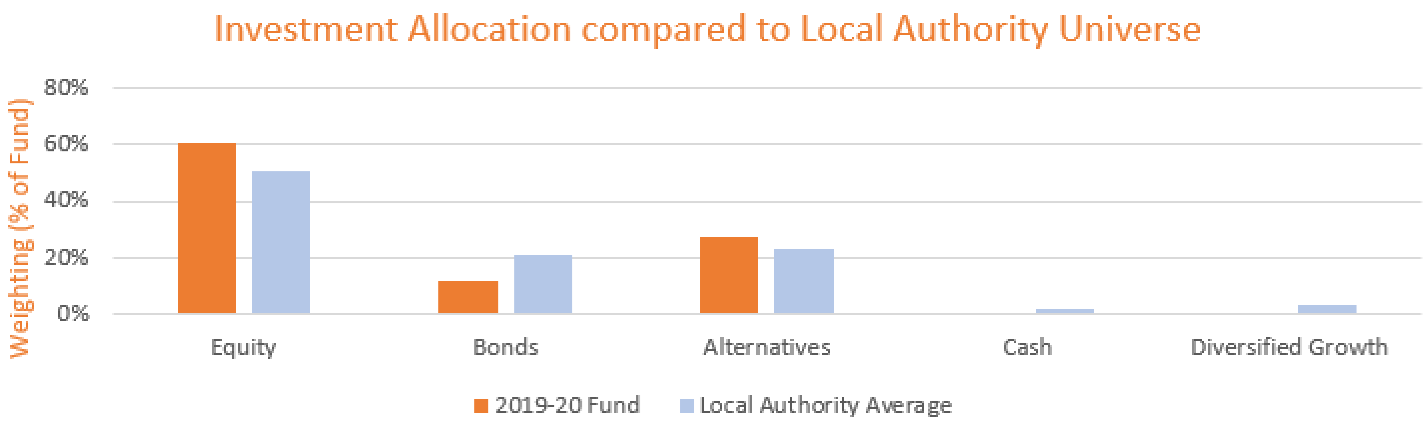
In response to the original question on how the Fund has compared to other funds during the year. The Pension Fund is part of the Local Authority Universe which is a national scheme consisting of 63 pension funds collated by PIRC Ltd that provides benchmarking of local authority pension funds investment performance. For further information on how we have compared to the LA Universe can be found on pages 36 and 37 of the annual report which was included on the agenda. I have added the graphs further below.

In relation to the latest benchmarking report, I have spoken to the investment governance team and they believe the report Cllr Rogers referenced is a presentation from our Investment Consultants Mercer and this report includes information on both Cambridgeshire Pension Fund and Northamptonshire Pension Fund (NPF) . They have advised that as it also includes confidential information on NPF it is inappropriate to send it to the Cambridgeshire Audit and Accounts Committee. However, this is a topic on the future agenda plan for Investment Sub Committee and Mercer will likely produce a report specific to Cambridgeshire which the officers will be happy to share once available.

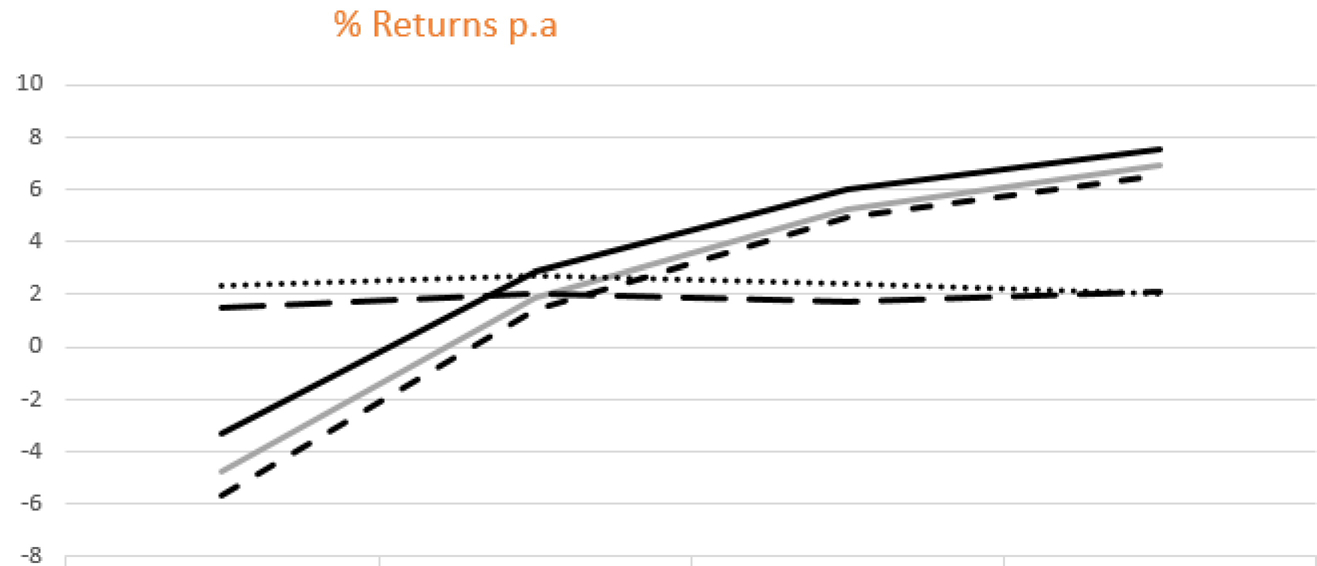
In 2019-20 the Fund's performance of -5.7% over the financial year was ranked 67th percentile out of the 63 Funds participating in the Universe. The investment return achieved was influenced by the Fund's holding of a higher proportion of Equities, when compared to the Local Authority Universe.



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



The table below demonstrates the Fund's performance compared to benchmark returns and the average investment return achieved by the Local Authority Universe over a one, three, five and ten year period.



	1 year 67th Percentile*	3 years 65th Percentile	5 years 47th Percentile	10 years 64th Percentile
The Benchmark	-3.3	2.9	6.0	7.5
The Fund	-5.7	1.4	4.9	6.5
Local Authority Average	-4.8	1.9	5.2	6.9
UK Average Weekly Earnings Index	2.3	2.7	2.4	2.0
Consumer Price Index	1.5	2.0	1.7	2.1

**Ranking in LA Universe*

- Page 35 Sequential agenda page 15 of the Pension Accounts document the Chairman queried the reasons why the Management Expenses entries for both the actual Administrative costs and Investment Management expenses for 2019-20 had increased so significantly compared with the Forecast. Officers indicated it was mainly a timing issue and would provide further details These are included below.

See below comparison of investment expenses (invoiced and non-invoiced). We actually came under budget on invoiced expenses due to assets which we originally receive invoices for, moving into the access pool where the management costs are now deducted from the NAV.

Rounded (£000)	**Budget**	**Outturn**	**Difference**
Administration	2,930	3,415	485
Governance	550	916	366
Investment (invoiced)	6,560	3,555	-3,005
Investment (deducted from NAV)	-	11,118	11,118
Total	**10,040**	**19,004**	**8,964**

- Page 90 Under the heading 'Other Price risk-sensitivity analysis' the Chairman queried the use of the phrase in the second paragraph reading "one-standard deviation movement" – the officers would check but believed it was CIPFA wording. I have double checked the CIPFA wording and the document from Hymans who send us the figures for other price risk – sensitivity analysis and one standard deviation movement is not mentioned in either document so I have removed that sentence.

Fiona Coates
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Cambridgeshire Pension Fund
Northamptonshire Pension Fund

Agenda Item No: 5a)

Statement of Accounts 2019-20

To:	Audit and Accounts Committee
Meeting Date:	24 November 2020
From:	Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Outcome:	This report presents the audited (subject to outstanding items), revised Cambridgeshire County Council (CCC) Statement of Accounts 2019/20. Also included are the Annual Governance Statement and Pension Fund accounts. The Accounts are provided as Appendix A to this report.
Recommendation:	The Committee is asked to review and comment on the revised Statement of Accounts and delegate responsibility to the Chairman of the Audit and Accounts Committee and the Chief Finance Officer to approve and sign the final audited set of accounts once finalised.

Officer contact:
Name: Ellie Tod
Post: Strategic Finance Manager
Email: Eleanor.tod@cambridgeshire.gov.uk

Member contacts:
Names: Councillor M Shellens
Post: Chair
Email: shellens@waitrose.com

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 2019/20 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 2019/20, 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 version of the Statement of Accounts replaces the draft version that was presented to the Committee for review on 30 July 2020 and should be considered in conjunction with the ISA260 report from EY, the Council's external auditors, in respect of the audited accounts.

2. Statement of Accounts 2019/20

2.1 The Statement of Accounts is comprised of the following sections:

- The Narrative Statement – required by the Code and provides a summary of the most significant matters reported within the accounts, and of the Council's financial position. It is intended to outline the overall context within which the Council is operating by providing commentary on the Council's priorities, its performance in 2019/20 and the inclusion of a summary of the medium term outlook and approach to value for money. This year, it also includes information about the impact of Covid-19 on the Council's accounts.

- Statement of Responsibilities – provides detail of the formal responsibilities assigned to the Council and the Chief Finance Officer in respect of the Statement of Accounts.

- The Core Financial Statements – provide a financial snapshot as at 31 March 2020 of the Council's position and activity during the preceding year. This is comprised of:

  - Comprehensive Income and Expenditure Statement (CIES) – reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

  - Movement in Reserves Statement (MIRS) – shows the movement in year on the different reserves held by the Council. The reserves are analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

- Balance Sheet (BS) – presents the value of the Council's current and non-current assets and liabilities as at 31 March 2020, with the bottom line effectively being the net worth of the organisation.

- Cash Flow Statement – summarises the inflows and outflows of cash arising from transactions with third parties; this analysis shows how the Council generates and uses cash and cash equivalents.

- Disclosure notes – provide further supporting details on aspects of the accounts, including the Council's accounting policies. The notes are largely defined by the Code of Practice.

- Group Accounts – the Council is required to prepare Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates, and / or joint ventures. The Group Accounts reflect the activity of any such arrangements, where appropriate to do so, in addition to the Council's 'single entity' accounts.

- Pension Fund Accounts – details the financial activities relating to the pension fund, together with a snapshot of the assets and liabilities of the fund as at 31 March 2020.

- Glossary – the accounts inevitably includes a number of technical terms; this section provides an explanation of their meaning.

- Annual Governance Statement – 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 is signed by the Chief Executive and the Leader of the Council.

2.2 There is one significant change in accounting treatment for 2019/20. The Council appointed a new firm, Bruton Knowles LLP, for 2019/20 to undertake the Council's asset valuations. Following discussion with Bruton Knowles, the valuation technique for school assets has changed so that these assets are now valued on a Modern Equivalent Asset basis (i.e. on the basis of how an asset would be replaced to provide the required service, rather than valuing what is physically in existence). This brings the Council's valuations more closely in line with the guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and Royal Institute of Chartered Surveyors (RICS).

3. Changes between draft and revised accounts

3.1 The most significant adjustments are summarised below. These items have been adjusted in the revised set of accounts presented with this report. None of these adjustments have affected the outturn position of the Council for 2019/20, as they reflect technical accounting adjustments.

1) Classification of interest expense (£1.7m movement within the CIES) – as a result of using incorrect expenditure coding.

2) Classification of creditors (£4.7m movement within the BS) – payment to clear a pay as you earn (PAYE) taxation creditor was incorrectly posted to short-term debtors instead of short-term creditors.

3) Classification of grant income (£14.8m movement within the CIES) – one account code was being used for two separate purposes which actually need to feed into two different places in the accounts. Moving forward, the income currently on this code will need splitting between two different codes in order that it is mapped to the correct location.

4) Classification of short-term and long-term loans (£64.7m movement within the BS) – as a result of incorrect classification, and also coding. This is still to be confirmed with EY.

5) Correction of prior year unadjusted audit differences in relation to Street Lighting PFI (£1.2m between the CIES and BS) – whilst this was identified during the 2018/19 audit, on review by officers it was not clear that the adjustment was actually required. Further review and clarification during the 2019/20 audit has confirmed that it is necessary.

6) Correction of long-term debtor balances (£2.4m movement between the CIES and BS) – reviewing balances as part of the audit identified that two balances in relation to the Guided Busway should have previously been cleared, however the income recognition had incorrectly been duplicated instead. This is still to be confirmed with EY.

7) Pensions adjustments (£5.0m movement between the CIES and BS) – the impact of the McCloud consultation required a revised actuarial report to be commissioned; as a result, the report was also able to include the actual asset performance, as opposed to the projected performance included within the original report. The impact of this has therefore been adjusted for in the accounts.

3.2 The following adjustments have been identified but have not been adjusted as they are immaterial and would impact upon the revenue or capital outturn position:

1) Overstatement of Adult Social Care payments in advance (£1.2m movement between the CIES and the BS) – an error was made in the calculation of accrual, which based the adjustment on one week instead of 4 days.

2) Understatement of provisions (£2.6m movement between the CIES and the BS) – the draft report on the annual self-insurance review is not produced until after the draft accounts have been prepared, therefore the figures have to be based on the recommended provision and earmarked reserve position from the prior year.

3) Understatement of capital accruals (£2.5m movement within the BS) – it has been identified that accruals have not been processed for the Compulsory Purchase Orders for one capital scheme. Any outstanding accruals at the end of 2020/21 for this scheme will now be processed.

4. Matters outstanding

4.1 The following matters are the main areas outstanding at the time of writing this report.

- Property, Plant and Equipment (PPE) – the impact of Covid-19 on both valuations and furloughing of key contacts, the move to a new external valuer and the additional difficulties in obtaining information due to working away from the office have all contributed to additional work and delays in this area. A significant amount of work has been completed, however there are some outstanding queries around the sample of valuations, the material uncertainty disclosure in the accounts and the valuations of the Council's investment properties. It is likely that further adjustments will be required once this work has concluded.

- Going Concern Assessment – the current circumstances mean that in order to ensure that the assessment is as current as possible, this could not be provided to EY until the latter stages of the audit. It has now been submitted, along with the relevant working papers, and is currently being reviewed as part of the auditor's quality assurance. Across all sectors, there is additional attention to "going concern" as a result of the emphasis on the accounting standards, and this is compounded by the exceptional circumstances of the pandemic and the impact this has on the economic and social conditions facing all entities, not least local authorities.

- Payroll testing – delays have been created by lack of capacity in the payroll team to provide the information required; it is not anticipated that there will be any issues with concluding this work, or any adjustments required as a result.

- Group Accounts – the Council's wholly owned company, This Land, have a different accounting date to the Council. Whilst this provides the benefit of being able to include the completed This Land accounts within the Council's draft Group Accounts, it does require additional audit work by This Land's auditors regarding the period between the two balance sheet dates (31 December 2019 and 31 March 2020). This work is nearly complete, however EY are waiting for the final report from This Land's auditors and the Council are waiting for the company's adjusted management accounts to include within the Group Accounts.

- Post Balance Sheet Events – this work needs to be completed and audited as close to the audit signing date as possible.

Once all audit work has been concluded, any further identified adjustments will need to be incorporated into the Statement of Accounts. The document will then be subject to final review and agreement by EY.

4.2 EY have provided a draft of their request to management for a letter of representation; this is included in the agenda for this meeting towards the end of the audit results report. The Council envisages being able to provide this as requested as the work on the audit reaches its conclusion.

4.3 The statutory deadline for preparing and publishing a signed set of accounts for 2019/20 is the 30 November 2020; the Council is endeavouring to meet this deadline, however it is aware that one or two areas may take slightly longer to conclude. As you would expect, the external auditor will not be prepared to sign the accounts until their review has completed, irrespective of the deadline. Once the work on the above areas has finished, the final signed accounts and management representation letter will be provided to EY. This report outlines the limited areas remaining and summarises the issues for the Committee's attention this year as a result of the audit; remaining changes will be of a technical nature. On that basis, in common with previous years, it is recommended to committee that agreement of the final version of the accounts to be signed and submitted is now delegated to the Chairman of the Committee and the Chief Finance Officer.

4.4 The CCC Finance team (outside of LGSS) assumed responsibility for financial accounting in December 2019 and despite the shorter preparation time available due to the significant delays with completing the 2018/19 accounts, strong progress has been made with the quality of the accounts produced and aiding the conduct of the audit. The issues for continuous improvement into next year will be familiar to the Committee and include:

- Property Valuer consistency – 2020-21 will see the same external valuer used for a second consecutive year; this has not occurred for a number of years. It will also be the second year of using the Modern Equivalent Asset basis.
- Property/Assets – quality of data – audit sampling has identified that there continue to be issues with the quality and robustness of the information held on property assets.
- Process/ system issues – this was the first year that Treasury accountancy was completed by the CCC team, and the second year of using ERP Gold for fixed asset accounting. Utilisation of these areas will continue to improve into next year and provide further opportunities for pre-audit quality procedures.
- Reliance on third parties – production of the accounts and the successful audit relies on timely provision of information by teams across the Council, its partners and external organisations. The interface with Payroll will be particularly important next year, especially as this moves from LGSS to one of the lead authorities in Future Northants.

5. Value for Money Conclusions

5.1 The auditor has not yet begun the Value for Money review for 2019/20 as the conclusions for 2017/18 and 2018/19 are still outstanding along with unresolved objections on the accounts. BDO LLP, the Council's previous auditors, have now replied formally to the letter sent by the Chairman of the Audit and Accounts Committee in November 2019, setting out the status of work on the 2017-18 Value for Money Conclusion and 2017 and 2018 objections, and timescales to complete this work; it is anticipated that this will be reported to the January 2021 Audit & Accounts Committee. The full letter has been forwarded to all Members of the Committee. Once this work has concluded, EY will then be able to schedule the work required for the 2018/19 and 2019/20 Value for Money Conclusions.

6. Alignment with corporate priorities

6.1 A good quality of life for everyone
There are no significant implications for this priority.

6.2 Thriving places for people to live
There are no significant implications for this priority.

6.3 The best start for Cambridgeshire's children
There are no significant implications for this priority.

6.4 Net zero carbon emissions for Cambridgeshire by 2050
There are no significant implications for this priority.

7. Significant Implications

7.1 Resource Implications
There are no significant implications within this category

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

7.3 Statutory, Legal and Risk Implications
There are no significant implications within this category.

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

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

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

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

Have the resource implications been cleared by Finance? N/A

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

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

8. Source documents

8.1 Source documents

a) Code of Practice 2019-20

b) Revised Statement of Accounts 2019-20

c) Statement of Accounts working papers

d) BDO letter (Audit and Accounts Committee January 2020) and response from BDO

8.2 Location

Octagon First Floor, Shire Hall, Cambridge

APPENDIX A

CAMBRIDGESHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS
AND
ANNUAL GOVERNANCE STATEMENT
2019-2020

DRAFT – SUBJECT TO COMPLETION OF AUDIT

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Cambridgeshire County Council

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KEY NUMBERS

Some of the key numbers for the reader to note are that:

	2018-19 £m	2019-20 £m	Note
Revenue			
Expenditure	957.7	1,127.0	Expenditure and Income Analysed by Nature (page 58)
Income *	-879.8	-908.6	Expenditure and Income Analysed by Nature (page 58)
Net	77.9	218.4	
Capital			
Expenditure	277.7	292.8	Narrative Report (pages 14 – 15)
Financing	-277.7	-292.8	Narrative Report (pages 14 – 15)
Net	0.0	0.0	
Total reserves **	726.8	698.5	Movement in Reserves Statement (page 42)

* total income less £71.3m capital grants and contributions (previous year £87.0m)

** includes usable reserves of £141.4m at 31/03/2020 (previous year £124.6m)

NARRATIVE REPORT

INTRODUCTION

This document presents the statutory financial statements for Cambridgeshire County Council (the Council) for the period 1 April 2019 to 31 March 2020 and provides a comprehensive summary of the overall financial position of the Council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative statement provides a summary of the most significant matters reported within the accounts and of the Council's financial position at 31 March 2020. Although focused on the year reported that ended on 31 March 2020, the narrative statement aims to provide an up-to-date overview of the Council's financial position: this year we have included additional commentary that is forward looking in view of the unprecedented and changeable situation caused by Covid-19.

Cambridgeshire County Council

OUR VISION AND AMBITION

We are taking a whole Council approach to delivering our four priority outcomes across all areas of service provision set out below. This is facilitated by an integrated approach to business planning and service transformation which draws input from all areas of the organisation.

Our Priority Outcomes

A good quality of life for everyone

Thriving places for people to live

The best start for Cambridgeshire's children

Net zero carbon emissions for Cambridgeshire by 2050

Our priority outcomes are an integral part of the Council's decision making process. Each proposal impacting budget, investment, or performance is assessed based on its contribution to delivering the priority outcomes.

For 2019-20, the Council has adopted a fourth priority outcome: pledging to move towards net zero carbon emissions for Cambridgeshire by 2050. This supports the Council's commitment to deliver its Climate Change and Environment Strategy, approved in December 2019. In budgetary terms, in February 2020, the Council agreed to create a £16m capital investment fund for climate action and environmental impact. This will support the Council's target to reduce direct carbon emissions by 50% by 2023, in time seeing a payback through a reduction in energy bills, as well as investing in electric vehicles and supporting communities to move from oil dependent power generation to renewable sources of energy. This is in addition to £60m of planned investments in a Council owned solar farm, landfill energy projects, smart energy grids and community heat schemes.

The Council has continued to transform the way it operates during 2019-20. We have already made £152m in savings over the last five years. 2020-21 will require us to find a further £18m, largely due to inflation and demographic pressures. As our resources come under increasing pressure due to demand for services, particularly in response to the coronavirus pandemic, we will continue to progress our plans for transforming how we support our citizens.

The Council is in the fortunate position of having a transformation fund in excess of £20m to invest in the innovation and reform agenda in response to these challenges.

The Council's Business Plan, approved at the Full Council meeting on 11th February 2020, outlines these priorities in more detail and is available on the Business Planning pages of our website.

FINANCIAL PERFORMANCE

The financial performance of the Council is monitored by the General Purposes Committee using a monthly Integrated Finance Monitoring Report. You can view the most recent copies of these reports on the finance and performance page of our website.

Performance against the 2019-20 Business Plan

Significant matters and variances are summarised in this section and supported by the detail included in the statement of accounts and core financial statements. Key Performance Indicators (KPIs) are grouped by outcome area and their current status and direction of travel are reported to the General Purposes Committee on a quarterly basis.

Achievement of the priorities is within the context of the challenging funding position for local authorities. The Council has become more efficient to deliver the outcomes it has prioritised and to enable the delivery of the objectives and services that it has planned to deliver within the business plan.

The following table provides a snapshot of the Council's performance at year end by value and was reported to the General Purposes Committee on 2nd June 2020.

Revised Net Budget	Area	Measure	Outturn	Year End Position 31/03/2020
£384.1m	Revenue Budget	Variance (£m)	£384.3m	+£0.2m
-	Key Performance Indicators	Number at target (%)	-	53% (41 of 77)
£351.4m	Capital Programme*	Variance (£m)	£267.6m	-£83.8m
-	Balance Sheet Health	Net borrowing activity (£m)	-	£693m

** These figures include budget / expenditure funded under the Flexible Use of Capital Receipts direction but do not include budget / expenditure that is under the remit of the Greater Cambridge Partnership.*

The overall revenue budget position was a pressure of £0.2m; this is 0.1% variance to the year-end budget. Although this will require drawing on £0.2m from the Council's non-earmarked reserves, given the scale of the risks and potential pressures the Council has faced, this is a welcome outcome, and the closest outturn results to budget for some years.

The capital programme variance would also have been below 4% had it not been for four exceptional items of delayed expenditure within the areas of Commercial & Investment and Place & Economy, totalling £96.9m. Broadly, half of this figure relates to re-planning and re-phasing of loan activity to This Land (the Council's housing development company; loan activity differs from that planned due to progress with drawing down loans to fund construction). The other half relates to:

- Investment: the Council made a number of commercial property acquisitions in 2019-20. At the present time the Council is monitoring market conditions and regulatory implications before considering further investments;
- King's Dyke infrastructure scheme, where the decision was made to re-tender the project due to increasing costs relating to the original contract;

- Connecting Cambridgeshire, where the budget has been rephased against expected contract spend.

All aspects represent slippage with expenditure now expected to occur during 2020-21, or beyond.

For the key performance indicators, 53% (41) have been given a blue or green rating, outlining confidence that the target has been met or will be delivered, with 19 being amber rated, and the remaining 17 being red rated.

Outcome area	Blue	Green	Amber	Red	Grand Total
A good quality of life for everyone	9	4		3	16
The best start for Cambridgeshire's children	4	6	12	3	25
Thriving places for people to live	5	5	5	9	24
Corporate indicators not mapped to outcomes	5	3	2	2	12
Grand Total	23	18	19	17	77
%	30%	23%	25%	22%	100%

The following RAG statuses are being used:

- Red – current performance is 10% or more from target
- Amber – current performance is off target by less than 10%
- Green – current performance is on target or better by up to 5%
- Blue – current performance is better than target by more than 5%

Following a review of the reporting framework during the year, Service Committees received detailed reports on performance of services on a quarterly basis enabling them to track trends and challenge and scrutinise outcomes. There were no KPIs measured during 2019-20 which relate to the Council's new priority outcome area - net zero carbon emissions for Cambridgeshire by 2050.

Revenue spending on Services

The Council's net cost of services for 2019-20 was £539.9m. This figure was £155.6m higher than the net expenditure for the year of £384.3m that was reported to the General Purposes Committee in June 2020. The Statement of Accounts are prepared on a different accounting basis to those reports presented to members for resource allocation decisions. (The Statement of Accounts takes account of charges for items such as capital expenditure and variations in the accounting for retirement benefits.)

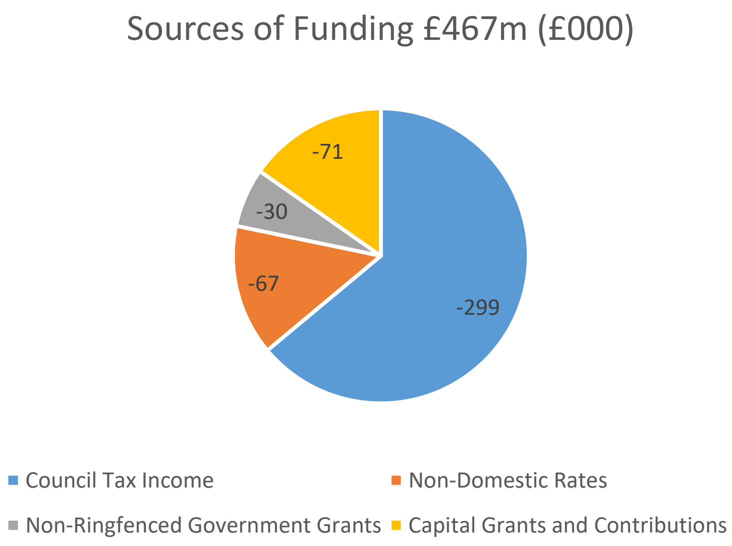
Crucially, in terms of revenue budgetary control and in contrast to recent years, the number of children in care had decreased and significant work has continued to reduce high cost placements. Although this is evident in the improved outturn results for Children & Safeguarding, the placement market is saturated, with Independent Fostering Agency (IFA) providers having no vacancies, which results in children going into higher cost residential placements. We are, however, seeing a net increase in the number of in-house fostering placements, which is contributing towards planned savings.

Similarly to councils nationally, cost pressures were also faced by adult social care during the year, continuing a trend faced by Cambridgeshire more recently. There have been rising costs in Older People's residential and nursing care; this area is emerging as a significant pressure after a number of years where demand and price have been managed very effectively following the reform of commissioning and social work in Cambridgeshire.

Serious pressures have grown and continued on Special Education Needs and High Needs block, leading to the carried forward deficit reported in the Dedicated Schools Grant note of £16.6m (page 69). Although that deficit is ring-fenced, the increase this year is particularly concerning given it now exceeds the balances held by individual schools in total. Furthermore, given that there are limited measures the Council can take to control expenditure in this area, and that the application to transfer funds, in the winter, from mainstream schools was rejected by Schools Forum and the Secretary of State, the position is now of major concern. Work continues to understand and mitigate these risks, as well as lobbying for further funding to address the issue.

The £0.2m (0.1%) year-end overspend was balanced by drawing on the general fund and earmarked reserves; the Council restores the general fund reserve to its planned level (3% of net current expenditure) as part of the annual business planning process.

The Council's net budget is mainly financed through council tax, business rates and government grant, and totals £467m as shown below:



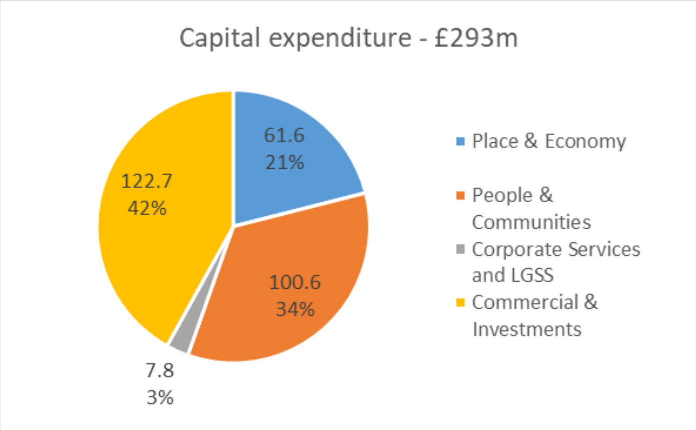
The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement (page 41).

Capital spending and financing

The Council's adjusted capital budget for the year was £348.2m plus £30.8m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £292.8m, leaving £86.2m of the adjusted capital budget unspent (23%) at the year end. This was largely due to the timing of spending and in most cases does not represent underspends on schemes. Many capital projects span a number of years, so this simply means that expenditure has not been incurred as had been profiled with the business plan. In 2019-20 the key areas where spend varied from planned budgets were Housing Schemes (£46.7m), Commercial Investments (£21.2m), the King's Dyke scheme (£16.6m) and the Connecting Cambridgeshire scheme (£13.5m).

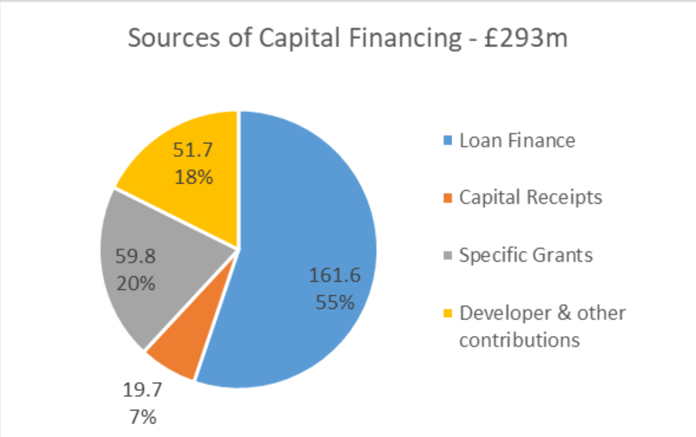
The expenditure on Housing Schemes relates to the loans made to This Land, and this reduced level of expenditure reflects the level of progress through planning and construction undertaken by the Company. The King's Dyke scheme was retendered with savings anticipated in 2020-21 compared to the previous approach. The Connecting Cambridgeshire scheme expenditure is likely to be incurred mainly in 2020-21 and 2021-22

with no change expected to the total scheme cost. Other than the above schemes, overall performance is relatively close to budget, and reflects the use of a variations budget to account for an expected level of slippage which is inherent within capital projects.
The following chart outlines the £293m investments made during the financial year.



The cost of borrowing has been factored into the 2019-20 debt charges outturn position, as well as being accounted for within the 2020-2025 business planning process.

The following chart outlines how the £293m capital expenditure was financed this year.



Loan finance is undertaken through borrowing, typically from the Public Works Loan Board (PWLB), where the Council subsequently meets interest and repayment costs from its own resources.

The Council received £13.6m of Capital Receipts in year, which was used together with £6.1m of prior year capital receipts to fund £19.7m of the capital programme. The Council uses capital receipts from sales of assets to reinvest into assets that generate income. This means there has been a dual benefit of the This Land financing: interest on the loans to This Land themselves, as well as a redeployment of the capital receipts received.

Reserves

The Council's total reserves have decreased in-year by £28.2m, to £698.5m at 31 March 2020. This balance comprises £141.3m (20%) of 'usable' reserves (cash-backed resources that an authority can apply to the provision of services), and £557.2m (80%) of 'unusable' reserves (those that an authority is not able to utilise to provide services, e.g. the revaluation reserve which contains the gains arising from increases in the value of certain assets, which will not release cash until the assets are sold).

A proportion of the Council's usable reserves (the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 2020, these reserves stood at £94.1m. Of this balance, the General Fund comprised £17.7m and reserves earmarked for specific purposes totaled £76.5m, including a £25.4m transformation fund which will be used for proposals to generate savings in future years (£9.8m was uncommitted at 31 March 2020), and £4.2m to cover insurance risks.

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

General Fund and Earmarked Reserves	£m
Balance at 1 April 2019	76.9
General Fund	4.8
Schools Carry Forwards	(6.9)
Other Earmarked Reserves	19.3
Balance at 31 March 2020	94.1

Assets and liabilities

The Council's cash and cash equivalents position increased in the year by £27.7m from £21.5m at 31 March 2019 to £49.1m at 31 March 2020, reflecting an increase in long term borrowing.

During 2019-20, the net assets of the Council and its Balance Sheet value decreased by £28.3m (a 3.9% reduction), from an opening balance of £726.8m to a closing balance of £698.5m at 31 March 2020. The net decrease was driven by a combination of property revaluation losses, an increase in external borrowing, purchases of investment properties, a reduction in liabilities relating to capital grants and contributions received in advance, and a fall in the net pension liability.

External borrowing and investment

Total debt outstanding at 31 March 2020 was £767.9m (consisting of £617.7m long-term borrowing and £150.2m short-term borrowing), which was well within the CFR Limit of £1,008.0m determined in accordance with legislation. Long-term borrowing increased by £187.0m during the year, and short-term borrowing decreased by £20.7m.

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

During the year, the Council successfully applied for future borrowing from the Public Works Loan Board at the significantly discounted infrastructure rate for a number of specified energy schemes within the capital programme, improving the rate of return achievable.

KEY PROJECTS AND ACTIVITIES

Think Communities and Covid-19 Co-ordination Hub

The Think Communities partnership approach has been developed in collaboration with partners to create a shared vision, approach and priorities for building community resilience across the county. Our vision is that people feel safe, healthy and connected and able to help themselves and each other, in communities that are integrated and possess a sense of place through a public sector-wide approach where partners listen, engage and align with communities.

As the financial year was drawing to a close the Council enabled a major community resilience response to the Covid-19 pandemic: setting-up a Covid-19 Co-ordination Hub to assist vulnerable groups who are shielding to protect themselves from infection. Staff have been redeployed from other areas of the Council to work at the Hub, which has a specific focus on providing access to food, medicines and other supplies in the first instance.

Initially, the hub made contact with 10,500 'shielded' people - in the most vulnerable categories who were asked to self-isolate during the Spring and early Summer - and have been contacting all of those (around 50%) who are indicating that they have no reliable network of family or friends to support them through this time. Additionally, the Hub made contact with all on the shielded list via email or letter to introduce them to the co-ordination Hub, though they may currently have support in place.

The Hub has been managing and co-ordinating offers of help and work alongside existing voluntary and community groups to help maximise support for local communities. It is not designed to co-ordinate social action or local community-based volunteering; a huge amount of this type of activity has been emerging right across our county, some independently and some with the support of City & District Councils and other partner agencies - so where people are looking for more general ways to help, the Hub has signposted them to local schemes.

Connecting Cambridgeshire

Connecting Cambridgeshire is improving the County's digital connectivity to drive economic growth, help our communities to thrive and make it easier to access public services. The superfast broadband rollout has already brought high speed internet access to thousands of homes and businesses that would not be able to get it otherwise. Over 97% of homes and businesses now have access to superfast broadband and the target is to reach over 99% superfast coverage by the end of 2020. The programme has been extended to significantly improve mobile and public Wi-Fi coverage, while securing future proof full fibre and 5G networks by 2022. It has established an innovative Enabling Digital Delivery (EDD) team to work with telecoms providers and mobile operators to remove the barriers to the rapid delivery of digital connectivity, make best use of public sector assets and attract private sector investment. The Smart Cambridge programme is also exploring how data and emerging technology can be used to develop innovative solutions to improve the quality of life in our towns and cities, and this will be expanded across Cambridgeshire and Peterborough in the next year. Further information is available on the Connecting Cambridgeshire website.

The Connecting Cambridgeshire programme also established Light Blue Fibre Ltd as a new joint venture during 2019, to focus on generating a commercial return from digital infrastructure and improving those assets. There is more information on the company's website and disclosed below under the related parties section of these statements.

Greater Cambridge Partnership (GCP)

The Greater Cambridge Partnership is the local delivery body for a City Deal with central Government, bringing powers and investment to vital improvements in infrastructure and technology, supporting and accelerating the creation of 44,000 new jobs, 33,500 new homes and 420 additional apprenticeships.

The partnership of councils, business and academia will work together, and with partners and local communities, to grow and share prosperity and improve quality of life for the people of Greater Cambridge, now and in the future. Signed in 2014 it brings key partners together to work with communities, businesses and industry leaders to support the continued growth of one of the world's leading tourism and business destinations.

The GCP's City Deal is worth up to £500 million in funding to 2030 for transport infrastructure, smart technology, accelerating housing delivery and tackling the skills shortage faced by businesses in the area. £100 million of government funding has been made available until 2020. A further fund of up to £400m will be available if initial investments are successful in supporting economic growth; after the balance sheet date it was confirmed that the programme had successfully passed the 2020 "gateway review". The GCP will also generate local funding, for example through Section 106 agreements with developers, and explore private funding opportunities. This complements and sits alongside existing capital expenditure plans in the area.

For further details please visit the GCP website.

This Land Group (Housing Development)

The Council is in the fortunate position of continuing to be a major landowner in Cambridgeshire and has established a company, This Land Ltd, which enables the development of housing on the land it owns rather than a sale for a capital receipt alone. The Council is the sole shareholder of This Land Limited (and the ultimate parent of its wholly owned subsidiaries).

By the 31 March 2020, the Council had sold twenty-six sites to This Land (with a twenty-seventh acquired by the company from a third party). These are predominantly areas of the county farms estate with development potential as well as several urban sites that are no longer required for operational purposes. The Council also advanced an additional £8m loan to This Land in August 2019 to finance needs such as professional fees and development costs required to progress planning permissions, as well as commencing construction. The company was not scheduled or required to repay any loans during 2019. At the balance sheet date a total of £96.5m of financing was on-loan to This Land from the Council; across the year interest received on This Land loans was £7.0m. The Council holds security over the loans by way of mortgages on the properties transferred providing collateral and risk mitigation. In addition to loan financing, the Council holds £3.951m in equity shares in This Land, with this increasing by a further £1m after the balance sheet date.

this Land.™

A DEVELOPMENT BUSINESS

Following the completion of the first site developed by the company and as its board of directors has become fully established, the opportunity has been taken to review and reset its business plan during 2019-20, in relation to the assumptions, strategic outlook and operational intentions of the company. This follows the comprehensive review of business strategy and the detailed modelling underpinning the company's budget and business plan by an external financial consultancy. As a result, the company will focus on a smaller number of sites going forward and diversify its approach to development to mitigate the key sensitives in terms of near term income, and the timing and cost of construction, not least in the emerging economic context resulting from the pandemic. In April 2020, the Commercial and Investment Committee formally received the latest business plan and agreed plans for the next stages of loan financing, supporting construction.

Construction at the company's first development site at Milton Road has completed, with the provision of a new library and community facility with residential accommodation on the floors above. This is currently being marketed for sale, with this expected to progress once the property markets stabilise. Elsewhere, the company is progressing with planning, pre-construction and pre-sales work.

For further details please visit the This Land website.

Cambridgeshire and Peterborough Combined Authority

The Cambridgeshire and Peterborough Combined Authority (CPCA) was constituted in March 2017. The authority is made up of representatives of the seven local Councils in Cambridgeshire and Peterborough. It is led by a Mayor, directly elected for the first time in May 2017. As part of a devolution deal with government, the responsibilities of the CPCA include local economic growth, housing, transport and infrastructure improvements and adult skills.

The CPCA now receive the Integrated Transport Block, Highways Maintenance Block and Pothole Action Fund grants from the Department for Transport (DfT) rather than the County Council. The combined value of these funding streams in 2019-20 was £18.6m. CPCA has the power to top-slice the grant allocations before passing them on to the County Council however, for 2019-20, this power was not utilised and thus the funds were effectively passported to the County Council in line with the original DfT allocation and there was therefore no net effect on the Council's accounts.

The CPCA is now responsible for passenger transport services and is able to levy the County Council. The levy for Cambridgeshire in 2019-20 would have been £8.7m but as the Council continues to provide the services under a delegation agreement with the CPCA there is no cash transferred to the CPCA.

In March 2018, the County Council, along with the other constituent Councils, consented to a widening of the CPCA's powers to borrow. This was followed in May 2018 by County Council consent to devolution of the Adult Education Budget to the CPCA and the facility to raise an additional levy on business rates.

Further information can be found on the Combined Authority's website.

Kings Dyke

The A605 between Whittlesey and Peterborough carries over 14,000 vehicles per day and there are some 120 daily train movements across the level crossing that crosses the road. The resulting closure of the King's Dyke level crossing barrier causes significant delay to traffic. Future plans by the rail industry to increase the number of trains along the route will further increase delays. The situation is exacerbated during the winter months, when local flooding often closes the North Bank, an alternative route between Whittlesey and Peterborough, for long periods of time. Some additional 5,000 vehicles a day displaced by this closure use the level crossing, doubling the average delay per vehicle. The delays have an impact on local businesses and commuters travelling between Whittlesey and Peterborough.

The Kings Dyke scheme is designed to remove these delays and the scheme is strongly supported locally. The available route presents engineering challenges in respect of ground conditions and the close proximity of a deep, disused clay extraction pit, and due to the increase in the previous contract target construction price it was decided in August 2019 to re-procure a new Design and Construction contract. The new contract has now been awarded; the planned completion date is December 2022.

Property Investment

The Council acquired its first commercial property investment in July 2018 for £39m - the Brunswick House student accommodation in Cambridge. This year it continued to invest in a diverse portfolio of properties as shown in the table below.

Name	Description	Purchase Date	Current value	Initial Net Yield (exc. financing)
Cromwell Leisure Park	Situated in Wisbech, this leisure park currently accommodates a cinema and restaurants.	May 2019	£7.0m	10.1%
Superstore site, Newmarket Rd	This is a large retail site in Cambridge which is currently leased long-term to Tesco.	August 2019	£54.5m	4.6%
Kingsbridge Centre	Industrial units in Peterborough near the A47, currently let to a distribution company and a technology firm.	August 2019	£12.3m	5.9%
Evolution Business Park	This is located in South Cambridgeshire and comprises of office / laboratory units leased to various companies.	January 2020	£29.7m	5.7%

The Council publishes a more detailed summary of the commercial appraisal and advice received on these acquisitions within its capital strategy, published as part of our business plan.

The main objectives of the Council's investment in commercial property are:

- To diversify and increase income streams to the Council, protecting frontline services notwithstanding reducing government grant and rising demands;
- Inward economic investment: directly supportive to jobs in a variety of sectors, supporting the local economy.

Income of £4.7 million was budgeted for 2019-20 and the commercial property investments delivered £3.8 million of this. Underachievement was partly due to timing and scope of new purchases, as well as new competition for Brunswick House, with another student residence opening up nearby. In the longer-term, the acquisitions the Council has made are diversified and commercially sound, meaning that the Council is confident of meeting or exceeding the target net return across the quinquennial planning period.

In the shorter-term however, the Covid-19 pandemic is resulting in a shortfall in commercial property income in 2020-21, due to the financial pressures placed on tenants, with the businesses at Cromwell Leisure Park being the most adversely affected. Brunswick House is also exposed to the uncertainty in demand for student accommodation in the current period and the cancellation of face-to-face provision in Cambridge during the shorter summer period. The Council is working closely with its tenants, through managing agents, to reach appropriate outcomes and long-term income sustainability whilst ensuring that obligations under lease agreements continue to be met. The Investment Strategy implemented by the Commercial and Investment Committee places a strong emphasis on the financial strength and covenant of tenants and diversifying the portfolio of assets, as can be seen from the table above in terms of exposure to different property sectors. This has mitigated the overall financial risk to the Council from commercial property activity.

Aside from direct property holdings, during 2019-20 the Council invested a further £1m in the CCLA local authorities' property fund (LAPF), which has assets across the UK in various sectors, bringing the total amount invested into the CCLA LAPF to £12m. CCLA Is an active property manager, the Council received a dividend for units held in the fund based on full rental collection up to 31 March.

Cambs 2020

The Cambs 2020 programme will see the Council move its civic headquarters away from Shire Hall in Cambridge, adopting a hub and spoke model for the location of services. This will position a wide range of Council teams closer to the communities they serve, as well as modernising and rationalising the office accommodation estate and generating a significant commercial benefit from vacating Castle Hill to be reinvested in to frontline services. The move will also generate a significant capital receipt for the Council; the January 2021 Commercial & Investment Committee is scheduled to consider the heads of terms for the Shire Hall deal.

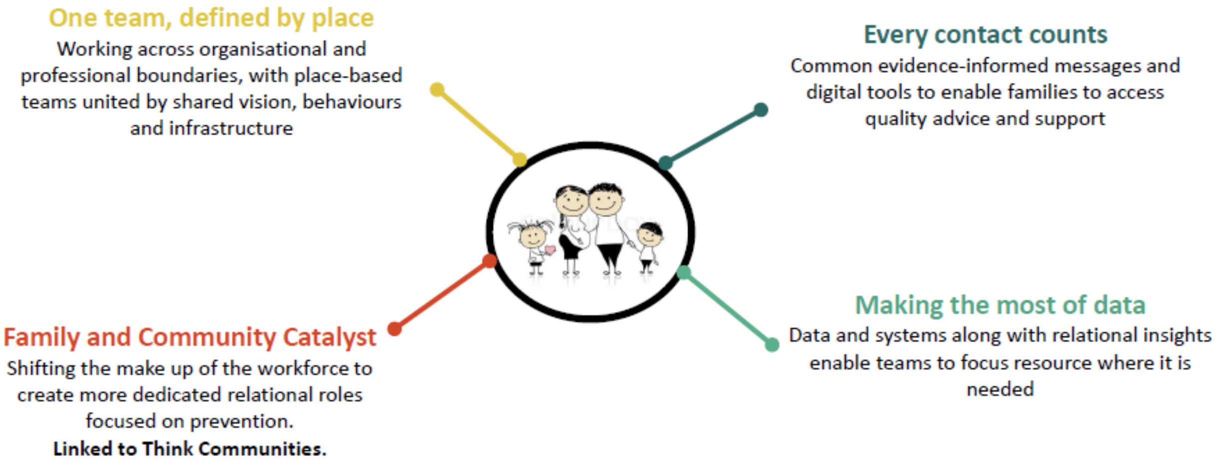
During 2019-20, construction began of the Council's new civic headquarters at Alconbury Weald, an £18m capital project, and the acquisition was completed of the Bernard Sunley Centre, Papworth for £1.45m, providing a key "spoke" building in the South West of the county.

Adults Positive Challenge (APC) Programme

APC is an ambitious programme within Adult Services that is aiming to slow the increasing demand on adult social care services. The APC vision outlines that, by 2023, local people will drive the delivery of care, health and wellbeing in their neighbourhoods, whilst delivering a financially sustainable service. This will enable a neighbourhood approach which supports more people to live independent and fulfilling lives for longer. The programme has a target for delivering financial impact in 2019-20 and 2020-21, which is a mix of savings and cost avoidance each year. Examples of key work in this programme in 2019-20 include an expanded Technology Enabled Care service, a large increase in Reablement capacity, and targeted support for carers. Plans have been kept under review in light of the significant impact of the pandemic in Adult Social Care in 2020-21.

Best Start in Life

During the 2019-20, the Council adopted a "Best Start in Life" strategy that aims to ensure that all children in Cambridgeshire are happy, healthy, safe from harm and ready for learning. The experiences of babies and children from pre-birth to five lay the foundations for their future, and shape their development, educational attainment and life chances. The strategy brings together public and community health, maternity services, children's commissioning, early learning and early help teams, working together with voluntary sector partners to design a placed based model that supports outcomes for young children. Priorities include school readiness: narrowing the gap in the proportion of children taking free school meals who achieve a good level of development by the end of reception compared to all children; reducing the number of children starting school who are overweight or obese; and responding to risk factors for child maltreatment such as domestic abuse, parental mental health and substance misuse.



Pensions

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

The estimated pension deficit for the Council, measured on an actuarial basis, has decreased from £613.1m at 1 April 2019 to £491.6.m at 31 March 2020. Employer pension contributions of £33.0m were made during 2019-20, with the pension liability reducing by £204.5m (largely as a result of changes to the actuarial financial assumptions), partially offset by the value of the Fund's assets decreasing by £83.0m. Overall this has resulted in a £121.5m increase in the deficit amount.

LGSS Summary

LGSS is the shared back office operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC). LGSS began in October 2010 with MKC joining as a third Partner from 1 April 2016. LGSS provides a wide range of strategic, professional, operational and transactional services including pensions, procurement, audit, HR, IT and transactional financial services.

It is governed by a Joint Committee with the financial transactions of each shareholder council included in the respective council's statutory accounts. Significant savings have arisen for Cambridgeshire as a result of the partnership across the last decade.

For 2019-20, LGSS net expenditure was £22.2m with a budget set at £23.8m, resulting in a £1.6m surplus. The surplus was made up of shared service underspends and trading surpluses of £2.2m, offset by pressures specific to individual authorities of £0.6m. Cambridgeshire County Council's share of the shared service underspends and trading surpluses was £796k, which has been applied to reserves. There was also a specific pressure for Cambridgeshire County Council of £582k arising from a savings target in excess of the shared service savings agreed for LGSS for 2019-20. This is reflected in the Council's 2019-20 outturn.

During 2019-20 the operating model for LGSS has been under review, to focus the organisation on transactional functions going forward and in anticipation of local government reorganisation in Northamptonshire. As part of this review, Finance Business Partners and Democratic Services teams supporting Cambridgeshire County Council "repatriated" to the Council from LGSS on 1st October 2019, and Integrated Finance Services (excluding transactional finance services and those supporting LGSS managers) "repatriated" to the Council in December 2019.

Joint working with Peterborough City Council

The Council has continued to work closely with Peterborough City Council during 2019-20, deepening the extent of shared services. Since the Chief Executive position was first shared in 2015, a number of further opportunities have been taken to share management teams and operate strategically across the whole geography on the same terms as other public sector partners such as the NHS, Police and Fire Service. Joint roles at director level have been further embedded during 2019-20 and in early 2020, further sharing of operational staff managers progressed in the Communities directorate and the Communications Service. In total there are over 200 other roles now operating in shared posts, under section 113 arrangements with Peterborough.

Workforce Profile

The Council is an equal opportunities employer and promotes fairness to all. For further information please see the Workforce Profile which is available on the [Equality and Diversity page of our website](#).

THE STATEMENT OF ACCOUNTS

The purpose of these accounts is to present a true and fair view of the financial results of the Council's activities for the year ended 31 March 2019, and to summarise the overall financial position of the Council as at 31 March 2020. This section provides an overview of the financial performance of the Council. The Statement of Accounts brings together the major financial statements for the Council for the financial year 2019-20. The various sections, and their contents, are as follows:

Statement of Responsibilities, Certificate and Approval of Accounts (page 33)

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

Independent Auditor's Report to Members (page 35)

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

Comprehensive Income and Expenditure Statement (CIES) (page 41)

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

The net cost of services for 2019-20 across the Council's directorates was £539.7m. After taking into consideration other operating expenditure, financing and investment income / expenditure, grant income, and income from taxation (Council Tax and Business Rates), the Council's deficit on the provision of services was £147.0m.

Movement in Reserves Statement (MIRS) (page 42)

This statement shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The 'surplus or (deficit) on provision of services' is included within the Total Comprehensive Income and Expenditure line, and shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund balance for Council Tax setting purposes.

The headline figures from this statement are that the Council's General Fund and earmarked reserves have increased overall by £17.2m in 2019-20. The balance in the Capital Grants Unapplied Reserve has increased by £8.4m due to the net effects of income received in year, reclassifications and the funding of capital expenditure in 2019-20. The Council's Unusable Reserves have decreased by £45.1m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 43)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities as at 31 March 2020 with the bottom line effectively being the net worth of the organisation. The net assets of the Council (assets less liabilities) are matched by the level of 'usable' and 'unusable' reserves held. Usable reserves are those resources that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. Unusable reserves include those that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences as shown by the 'adjustments between accounting basis and funding basis under regulations' line in the Movement in Reserves Statement.

The headline figures from this statement are: a decrease in property, plant & equipment of £118.2m (£1,759.5m at 31 March 2020 from £1,877.7m at 31 March 2019) largely as a result of revaluation losses; an increase of £97.3m in investment property (£140.8m at 31 March 2020 from £43.5m at 31 March 2019) mainly due to purchases of additional properties; a decrease in short-term debtors of £31.2m (£88.6m at 31 March 2020 from £119.8m at 31 March 2019) reflecting a decrease in trade debtors; an increase of £27.7m in cash and cash equivalents (£49.1m at 31 March 2020 from £21.5m at 31 March 2019); an increase of £187.0m in long-term borrowing (£617.7m at 31 March 2020 from £430.7m at 31 March 2019); and a decrease of £127.3m in other long-term liabilities (£598.5m at 31 March 2020 from £725.8m at 31 March 2019) largely relating to a reduction in pension liabilities.

Cash Flow Statement (page 44)

This Statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. It outlines the changes in the cash and cash equivalents, for example changes in debtor balances (those owing the Council money) and creditor balances (those to whom the Council owes money) during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The headline figures from this statement are that during 2019-20 the Council's purchases of property, plant and equipment were £52.5m greater than in 2018-19 (year to 31 March 2020 £216.1m; year to 31 March 2019 £163.6m), proceeds from the sale of property, plant and equipment were £51.8m lower (year to 31 March 2020 -£13.5m; year to 31 March 2019 -£65.3m), and the net movement on cash receipts and repayments of short and long-term borrowing was £59.0m greater (year to 31 March 2020 -£165.7m; year to 31 March 2019 -£106.7m).

Borrowing and investments were made in accordance with the Council's published Treasury Management Strategy.

Expenditure and Funding Analysis (page 54)
The Expenditure and Funding Analysis forms the first note to the core financial statements. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The increase in the General Fund is £17.2m; the net increase to the Council's General Fund Reserve was £4.8m with a £12.4m net increase to earmarked reserves. This differs from the income and expenditure shown in the CIES by £164.2m. This difference comprises a number of technical accounting adjustments which the Council is required to make by the Code, including capital charges such as depreciation, actuarial pension adjustments and adjustments to the Collection Fund. A reconciliation of these adjustments is shown in Note 7 to the accounts.

Notes to the core financial statements (page 45)
The notes to the financial statements are essential in the presentation of a true and fair view for the accounts. They present information about the basis of preparation of the financial statements and the specific accounting policies used; explain how material transactions have been accounted for; and provide information that is not provided elsewhere in the financial statements, but is relevant to an understanding of them.

Pension Fund accounts (page 148)
The objective of the Pension Fund financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. The statements show the results of the stewardship of management; the accountability of management for the

resources entrusted to it, and of the disposition of its assets at the year end. The Council administers this Fund on behalf of all local authorities in Cambridgeshire, plus a number of other public and voluntary bodies, and commercial organisations. In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

RISK MANAGEMENT AND ARRANGEMENTS FOR VALUE FOR MONEY

The Council has developed a range of integrated approaches and organisational processes which together help to drive risk management and value for money.

Members exercise strategic leadership by developing the Council's vision and priorities and keeping these under-review. There is an established business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources. The Annual Governance Statement on page 237 sets out the Council's wider approach to risk management.

The corporate risk register is provided to the General Purposes Committee on a regular basis and reviewed by the Strategic Management Team. The register documents key risks including: failure to protect vulnerable children and adults, non-delivery of the business plan/budget, service disruption due to a major / serious incident and that resources (human resources and technology) are insufficient to meet business need. As a result of mitigating measures and controls, none of these risks is currently assessed as red on the Council's likelihood and impact matrix.

The Council's Scheme of Financial Management sets out the internal regulatory framework for financial control, procurement compliance and resource distribution. (The Scheme received a comprehensive review and update in April 2019 following completion of the first year using the ERP Gold financial system). Following the agreement of the budget by Members, savings delivery is closely monitored through a "tracker methodology" alongside monthly reporting to Council Committees.

FUTURE CHALLENGES AND MEDIUM-TERM OUTLOOK

The 2019 Spending Review provided Local Authorities with the largest increases in Government funding for social care in a decade. Despite this, financial pressures within Adults and Older Peoples Services continue to exceed the additional grant funding allocated. As one of the fastest growing counties in England, Cambridgeshire has seen additional demand for services which is not fully funded by increases in the council tax base. These demographic pressures combine with significant increases in the costs of delivering Adult Social Care with price inflation for residential and nursing placements averaging 8% and 15% respectively during the past year alone.

Owing to the Council's continuing programme of service transformation and commercial investment, business planning for 2021-26 would have begun having identified £8.3m of the £12.5m savings required for 2021-22. The following table illustrates the size of the challenge that lies ahead (as presented to Council on the 11th February 2020), as it sets out the latest annual savings requirement:

	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	Total £000
Total Savings Requirement For The Year	**18,395**	**12,549**	**10,274**	**12,168**	**12,378**	**65,764**
2020-21 Ongoing savings		18,395	18,395	18,395	18,395	
2021-22 Ongoing savings			12,549	12,549	12,549	
2022-23 Ongoing savings				10,274	10,274	
2023-24 Ongoing savings					12,168	
Total Savings For The Year (Including Ongoing Savings)	**18,395**	**30,944**	**41,218**	**53,386**	**65,764**	

There is a robust and well established business planning process across the organisation, governed by the pyramid of Committee structures, to respond to this challenge.

Covid-19 Impacts

Existing plans are now undergoing significant reshaping and recovery in view of the global pandemic. In terms of financial consequences these were minimal during the year ending 31 March 2020 given the fast moving situation that developed in the latter part of March, enabling the initial grant received in March to be carried forward to 2020-21. Looking ahead however, major changes and disruption are anticipated to the budgeted assumptions set in February 2020 and the following commentary is provided in anticipation of the likely impacts across the 2020-21 financial year.

In Adult Social Care the impact has been focussed on working with health and care partners and providers to stabilise the independent care market, which has faced rising costs of personal protective equipment (PPE), high absence levels amongst staff self-isolating, and a reduction in people sourcing their own care. That support has involved changing payment terms, block purchasing care to create the capacity needed to free up hospital beds, and paying a temporarily enhanced rate for care to support provider resilience and infection control.

Within Children's Services a number of changes in practice that were needed to respond to the pandemic have brought real benefits; for example virtual drop-ins providing parenting advice have been very popular, and as such the positive learning from this situation will inform future practice. It is likely that there will be a rise in referrals to Children's Services both locally and nationally as the pressures on families increase. There has been significant support to schools and other educational provision during this period and through their re-opening from a range of services.

The large majority of Council staff have been asked to work from home where possible, in accordance with government guidance, benefitting from recent investments by the Council in agile ways of working.

The financial impacts of the pandemic are being monitored using a Covid-19 Financial Consequences Log. Throughout the early stages of the outbreak this was reported on a weekly basis to the Joint Management Team (JMT), alongside business cases and financial challenge. JMT acted as the "gold" strategic coordinating group for the Council's response to the pandemic. Financial forecasts for the impact of the pandemic are now reported on a monthly basis to Members through the General Purposes Committee. The Council has applied for NHS reimbursement for support to hospital discharge from the CCG, expected to total more than £8m across this financial year. The Council will also receive £34.9m extra funding in the form of unringfenced grants from MHCLG to cover the increased costs relating to the Covid-19 response. The Council has submitted all of the required financial returns to MHCLG and participated in benchmarking work through the Society of County Treasurers to sense check its assumptions and projections, given the considerable current uncertainty.

The government has announced further specific ring-fenced funding streams, for infection control in care homes, active travel management to respond to social distancing on public transport and to support the test and trace programme.

As the pandemic continues to the develop over the coming months, the Council is well placed to respond and recover, ensuring the safety of citizens and the financial security of the Council. To respond to these challenges, for 2021-22, our existing business planning process is being supplemented with a scenario planning approach. This will support the Council in making strategic financial decisions in a climate of heightened uncertainty, taking into consideration immediate demands and longer-term disruption caused by Covid-19.

The Council has modelled a range of scenarios projecting varying levels of disruption continuity due to Covid-19. These scenarios have considered potential impact on a comprehensive basis across demand and income. As we progress through the coming year, we will closely monitor the local and national outlook to understand the budget trajectory. This will enable us to implement the most appropriate range of measures to balance the budget for 2021-22.

Cambridgeshire County Council

Uncertainties

There is considerable uncertainty surrounding the UK's public finances due to the unprecedented scale of the Government response to Covid-19, the economic fallout from the pandemic and continuing uncertainty around our future relationship with the European Union following Brexit. In addition, reviews of local authority relative needs and resources and 75% business rates retention have been postponed and will now be implemented in 2022-23. The additional funding allocations provided by Government in response to growing social care pressures and the Coronavirus pandemic continue to be based upon the existing funding model and population projections which disadvantage Cambridgeshire as a high-growth county. The County Council is pursuing a fairer funding campaign to improve this funding outlook in line with the growing population and fairness to local taxpayers.

CONCLUSION

I am extremely grateful to all the finance staff and others involved with budgetary control across the Council, for the support and enthusiasm that they have brought to the many and challenging tasks they have faced, and who have worked hard to close the accounts to a demanding timescale.

Chris Malyon
Deputy Chief Executive and Chief Finance Officer (Section 151 Officer)

FURTHER INFORMATION

Further information about the Statement of Accounts can be obtained from the finance and budget pages on the Council's website or by contacting Corporate Finance using the following details:

Address: OCT1114, Shire Hall, Cambridge CB3 0AP
Telephone: 0345 045 5200
Email: finance@cambridgeshire.gov.uk

STATEMENT OF RESPONSIBILITIES, CERTIFICATE AND APPROVAL OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer also has to have:

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

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year 2019-20 and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer
Date:

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council under the delegated authority of the Chairman of the Audit and Accounts Committee on XX-XXXX-2020.

Signed on behalf of
Cambridgeshire County Council:

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

These draft accounts are subject to completion of the external audit engagement.

INDEPENDENT AUDITOR'S REPORT

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Cambridgeshire County Council

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Comprehensive Income and Expenditure Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018-19 Gross Expenditure £000	2018-19 Gross Income £000	2018-19 Net Expenditure (+) / Income (-) £000		Note	2019-20 Gross Expenditure £000	2019-20 Gross Income £000	2019-20 Net Expenditure (+) / Income (-) £000
109,484	-29,915	**79,569**	Place & Economy		105,577	-37,414	**68,163**
699,078	-402,004	**297,074**	People & Communities		834,426	-407,351	**427,075**
26,555	-26,023	**532**	Public Health		27,659	-27,380	**279**
27,663	-7,315	**20,348**	Corporate Services & LGSS Managed		28,889	-5,682	**23,207**
24,164	-16,106	**8,058**	Commercial & Investment		23,624	-12,395	**11,229**
21,043	-9,565	**11,478**	LGSS Operational		17,392	-7,621	**9,771**
907,987	**-490,928**	**417,059**	**Cost of Services**		**1,037,567**	**-497,843**	**539,724**
391	-16,009	**-15,618**	Other operating income and expenditure	9	36,026	0	**36,026**
49,284	-8,580	**40,704**	Financing and investment income and expenditure	10	53,444	-14,426	**39,018**
0	-451,314	**-451,314**	Taxation and non specific grant income	11	0	-467,736	**-467,736**
		-9,169	**Surplus (-) or Deficit (+) on Provision of Services**				**147,032**
		-103,665	Surplus (-) or deficit (+) on revaluation of property, plant and equipment	21			**-116,721**
		52,161	Impairment and revaluation loss charged to the revaluation reserve	21			**156,916**
		0	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income	25			**768**
		85,952	Remeasurement of net pension benefit/liability	36			**-159,751**
		34,448	**Other Comprehensive Income (-) and Expenditure (+)**				**-118,788**
		25,279	**Total Comprehensive Income (-) and Expenditure (+)**				**28,244**

The purpose of this statement is explained in the Narrative Report (page 26).

Cambridgeshire County Council

MOVEMENT IN RESERVES STATEMENT

	General Fund * £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-18	**80,187**	**0**	**50,061**	**130,248**	**621,816**	**752,064**
Movement in 2018/19						
Total comprehensive income and expenditure	9,169	0	0	9,169	-34,448	-25,279
Adjustments between accounting and funding basis under regulations (note 18)	-12,438	20,415	-22,833	-14,856	14,856	0
Increase (+) or decrease (-) in 2018-19	-3,269	20,415	-22,833	-5,687	-19,592	-25,279
Balance at 31-Mar-19	**76,918**	**20,415**	**27,228**	**124,561**	**602,224**	**726,785**
Movement in 2019/20						
Total comprehensive income and expenditure	-147,032	0	0	-147,032	118,788	-28,244
Adjustments between accounting and funding basis under regulations (note 18)	164,242	-8,783	8,395	163,854	-163,854	0
Increase (+) or decrease (-) in 2019-20	**17,210**	**-8,783**	**8,395**	**16,822**	**-45,066**	**-28,244**
Balance at 31-Mar-20	**94,128**	**11,632**	**35,623**	**141,383**	**557,158**	**698,541**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 27).

Cambridgeshire County Council

BALANCE SHEET

31-Mar-19 £000		Note	31-Mar-20 £000
1,877,694	Property, plant and equipment	22	1,759,488
18,660	Heritage assets	23	19,010
43,466	Investment property	22	140,782
8,298	Intangible assets		13,905
12,660	Long term investments	25	17,592
122,832	Long term debtors	24	128,761
2,083,610	**Long Term Assets**		**2,079,538**
325	Short term investments	25	410
3,232	Assets held for sale	22	745
773	Inventories		793
119,750	Short term debtors	27	88,575
21,459	Cash and cash equivalents	28	49,137
145,539	**Current Assets**		**139,660**
-170,871	Short term borrowing	25	-150,172
-111,283	Short term creditors	29	-113,050
-2,455	Provisions		-2,317
-3,005	Capital grants and contributions received in advance	31	-146
-287,614	**Current Liabilities**		**-265,685**
-6,184	Provisions		-6,670
-430,687	Long term borrowing	25	-617,695
-725,827	Other long term liabilities	30	-598,506
-52,052	Capital grants and contributions received in advance	31	-32,102
-1,214,750	**Long Term Liabilities**		**-1,254,973**
726,785	**Net Assets**		**698,540**
124,562	Usable reserves	20	141,382
602,223	Unusable reserves	21	557,157
726,785	**Total Reserves**		**698,539**

CERTIFICATE OF ACCOUNTS

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year 2019-20 and authorise the accounts for issue.

Chris Malyon
Section 151 Officer
Date:

The purpose of this statement is explained in the Narrative Report (page 27).

Cambridgeshire County Council

CASH FLOW STATEMENT

2018/19 £000		2019/20 £000
-9,169	**Net Surplus (-) or Deficit (+) on the Provision of Services**	**147,032**
-38,544	Depreciation	-39,266
-6,351	Impairment and downward valuations	-92,406
-1,690	Amortisation	-1,396
13,844	Increase(-)/Decrease in Creditors	-11,358
64,875	Increase/Decrease (-) in Debtors	-24,009
-87	Increase/Decrease (-) in Inventories	-20
-20,047	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-38,259
-49,383	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-49,150
-3,115	Other non-cash items charged to the deficit on the provision of services	-11,771
-40,498	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-267,635**
0	Proceeds from short-term and long-term investments	0
65,392	Proceeds from the sale of property, plant and equipment	13,531
87,005	Grants for financing capital expenditure	71,373
-42,202	Any other items for which the cash effects are investing or financing activities	-3,750
110,195	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**81,154**
60,528	**Net Cashflows from Operating Activities**	**-39,449**
163,553	Purchase of Property, Plant and Equipment	216,094
107,566	Purchase of short-term and long-term investments	115,609
19,813	Other payments for investing activities	10,085
-95,000	Proceeds from short-term and long-term investments	-110,000
-65,319	Proceeds from the Sale of Property, Plant and Equipment	-13,531
-87,745	Capital Grants Received	-48,433
-14,104	Other receipts from investing activities	-15,040
28,764	**Investing Activities**	**154,784**
-253,000	Cash Receipts of short and long-term borrowing	-438,997
4,253	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (principal)	4,643
146,307	Repayments of short and long-term borrowing	273,327
30,969	Other payments for financing activities	18,014
-71,471	**Financing Activities**	**-143,013**
17,821	**Net Increase (-) or Decrease (+) in cash and cash equivalents**	**-27,678**
39,280	Cash and Cash equivalents at the beginning of the reporting year	21,459
21,459	**Cash and Cash equivalents at the end of the reporting year**	**49,137**

The purpose of this statement is explained in the Narrative Report (page 27).

DISCLOSURE NOTES

1. ACCOUNTING POLICIES

For the Accounting Policies refer to Appendix 1.

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

The Code of Practice on Local Government Accounting in the United Kingdom 2019-20 (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2020-21 Code. The 2020-21 Code has recently been published, and the new standards are not expected to have a material impact on the 2019-29 or 2020-21 Accounts.

The standards that may be relevant for additional disclosures that will be required in the 2019-20 and 2020-21 financial statements in respect of accounting changes that are introduced in the 2020-21 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendments to IAS 28 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
- Annual improvements to IFRS Standards 2015-17 Cycle
- Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*.

CIPFA/Local Authority Accounts Advisory Committee (LASAAC) have deferred implementation of IFRS16 *Leases* for local government to 1 April 2021. The standard will require local authorities who are lessees to recognise, where applicable, leases on their balance sheet as right-of-use assets, with corresponding lease liabilities (there is no recognition for low-value and short-term leases).

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

- Heritage assets held on deposit to the value of £17m have been included within the Council's Heritage Asset balance. Many of these deposits have been made without any kind of formal agreement that states who retains ownership, and for how long the deposit has been made. The Council has reviewed these items to determine when they were placed on deposit, and for the vast majority of items the deposits were made between 1934 and 1989. As such, given the long-term nature of the deposits, the Council has concluded that it effectively retains control of all assets on deposit and has therefore included these values within the Heritage Assets balance.

- The Council has judged that the stipulation in its Section 106 agreements, regarding a requirement for it to use funds within a set timeframe, is a condition attached to the provision of the funding. However, where there is a clear plan in place to use this funding within the stipulated timeframes by means of a funding commitment within the Council's Business Plan, the conditions are regarded as having been met and the funding is recognised within unapplied contributions. The Council has therefore applied the judgement of there being a condition attached across all Section 106 agreements not included in the Council's Business Plan, which in 2019-20 results in the recognition of £21m receipts in advance liability.

- The Council previously judged that the appropriate accounting treatment for the City Deal funding from Central Government to the Greater Cambridge Partnership (GCP) of £20m per year from 2015-16 to 2019-20 was the recognition of the total funding as a grant in 2015-16, along with of a debtor for £80m. This accounting treatment continues to be applied with the final £20m received in 2019-20, reducing the debtor balance to £0m.

4. GOING CONCERN ASSUMPTION

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The impact of COVID-19 has substantial implications for the Council's finances. Firstly, the response to the pandemic has required additional expenditure to ensure the Council could continue to deliver its statutory responsibilities, especially in Adult Social Care. Secondly, it has lost income primarily as a result of the restrictions on public and business activity put in place since mid-March 2020. Thirdly, a number of planned service reforms and savings initiatives have inevitably been delayed as a result of the focus on response to and recovery from the pandemic. Finally, COVID-19 is having a significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates.

Government has sought to address this through the provision of non-ringfenced COVID-19 grants. The first grant of £14.6 million was received in March 2020, all of which was brought forward into the 2020-21 financial year. Subsequent to this, the Council received a further £15.3 million in 2020-2021, with a further allocation anticipated following announcement in October. Over and above current in year projections for additional costs and lost income, £5.6million of grant funding remains available to support the Council's response to, and recovery from, COVID-19 in 2020-2021. Any additional allocation will improve this position further.

The Councils year-end reserve balances, as reported in these statements are as follows:

Date	General Fund (£m)	Earmarked Reserves (£m)
31/03/2020	17.8	76.5

The council has carried out an assessment of the impact of COVID-19 on future income and expenditure and is satisfied that there is no material uncertainty relating to the Council's going concern. Through the assessment, increases in expenditure mainly relate to Adult and Children's services, in response to demands in the market and an increase in care provision. The Council is supporting care providers with the additional costs for personal protection equipment and staffing, along with additional demand from clients discharged earlier from hospitals. In Children's services the costs relate to early years provision for the children of key workers and the most vulnerable children, plus support to young people to enable their education to continue during the lockdown period.

The Council is forecasting a £0.3 million overspend in 2020-2021, this would have been £24.6million had it not been for the grants received from the Ministry of Housing, Communities and Local Government in relation to Covid-19. If necessary, reserves will be utilised to fund the remaining overspend, reducing the earmarked reserve balance by £0.3 million, which would remain above the minimum level, as set by our Chief Financial Officer.

The Council has undertaken cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with a headroom of £139.2 million.

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report, based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £48.4 million at 30 September 2020 and the ability for short-term borrowing under the Treasury Management Policy. This demonstrates that the Council has sufficient liquidity over the same period.

The Council expects the Comprehensive Spending Review to be announced in Autumn 2020. Outcomes will then be reviewed and reflected on in the 2021-2022 budget setting process. There is a strong case that Shire Counties such as Cambridgeshire which are needs-led and historically underfunded should benefit from any longer-term reforms, although, prudently the Council has not made any assumptions of increased funding in its medium term planning.

However, given the pandemic is still unfolding, the associated economic impact and service implications remain unclear, and there remains significant uncertainty over the final cost to the Council. Nonetheless, current estimates indicate that there is a reasonable likelihood that the Council will need to draw down on its reserves in 2020-2021. Any use of these reserves will necessitate their replenishment, and plans will be developed to do this alongside the Council's recovery from COVID-19. The Council has a track record of making difficult financial decisions in times of constrained funding, and ensuring reserves are replenished to adequate levels, according to policy, and can be expected to do so again.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Asset valuations are completed on a 5 year rolling basis and values are reviewed annually to ensure they are not materially misstated.	In order to ensure that carrying values are kept in line with fair values in the interim, the Council undertakes a carrying value assessment annually and adjusts for any material variances if required. This analysis involves either a) a desktop valuation of all DRC assets, and non-DRC assets over a certain value, b) a market review undertaken by the Council's external valuers, and if necessary, c) an indexation analysis that assesses when assets were last revalued and applies an index to it based on Building Cost Information Service forecasts, market indices and land value calculations for every year since it was last revalued.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Notes 26 and 27 below.	The Council uses the Discounted Cash flow model to measure the Existing Use Value of some of its investment properties, surplus properties, Assets Held for Sale and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels and discount rates – adjusted for regional factors. Significant changes in any of the unobservable inputs would result in significantly lower or higher fair value measurement for the investment properties, surplus properties, Assets Held for Sale and financial assets.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the pension's liability of changes in individual assumptions can be measured. For instance: • 1 year increase in member life expectancy would result in an increase in the liability of approximately 3%-5%; • 0.5% decrease in the Real Discount Rate would result in an increase in the liability of approximately £141m (9%); and • 0.5% increase in the Pension Increase Rate would result in an increase in the liability of approximately £132m (9%).

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events occurring after the Balance Sheet date that require disclosure to enable readers to gain a proper understanding of the financial position of the Council up to the date when this Statement of Accounts was authorised for issue by the Chief Finance Officer. A 'non-adjusting' event is indicative of conditions that arose after the Balance Sheet date.

'Non-adjusting' Events after The Balance Sheet Date

Schools converting to Academy status

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

A further 4 schools have, or are expected to open or convert to Academy status before the 31 March 2021, with further new schools opening and conversions expected to take place in future years. By the end of the 2020-21 financial year, it is expected that local authority maintained schools with a current net book value totalling £25m will have converted to Academy status since the Balance Sheet date. As with schools already converted, the assets of these schools will be derecognised from the Council's Balance Sheet in 2020-21.

Assets and Loans

In May 2020 the Council purchased £1.0m of equity in This Land Group, with further loans expected to be issued to the group during the remainder of 2020-21.

City Deal Funding

In May 2020, the Greater Cambridge Partnership received notification from Government that a further tranche of City Deal funding, worth £200m across the five years from April 2020, had been confirmed after a successful gateway review.

7. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
The "Other income and expenditure" line relates to all income and expenditure outside of the Net cost of services. This includes the following lines within the Comprehensive Income and Expenditure Statement; Other operating income and expenditure, Financing and investment income and expenditure, Taxation and non-specific grant income and expenditure.

Comprehensive Income and Expenditure Statement Supporting Notes

2018-19 Net Expenditure Chargeable to the General Fund £000	2018-19 Adjustments between Funding and Accounting Basis £000	2018-19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000		2019-20 Net Expenditure Chargeable to the General Fund £000	2019-20 Adjustments between Funding and Accounting Basis £000	2019-20 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
46,777	32,792	**79,569**	Place & Economy	34,732	33,431	**68,163**
224,195	72,879	**297,074**	People & Communities	275,620	151,455	**427,075**
436	96	**532**	Public Health	92	187	**279**
90,699	-70,351	**20,348**	Corporate Services & LGSS Managed	42,774	-19,567	**23,207**
4,256	3,802	**8,058**	Commercial & Investment	6,710	4,519	**11,229**
9,250	2,228	**11,478**	LGSS Operational	4,578	5,193	**9,771**
375,613	**41,446**	**417,059**	**Net Cost of Services**	**364,506**	**175,218**	**539,724**
-372,345	-53,883	**-426,228**	Other Income and Expenditure	-381,716	-10,976	**-392,692**
3,268	**-12,437**	**-9,169**	**Surplus (-) or Deficit**	**-17,210**	**164,242**	**147,032**
-80,187			Opening General Fund Balance at 31 March	-76,919		
3,268			Plus: Surplus on General Fund Balance In Year	-17,210		
-76,919			**Closing General Fund Balance at 31 March**	**-94,129**		

8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Place & Economy	29,143	4,268	20	**33,431**
People & Communities	132,120	17,388	1,947	**151,455**
Public Health	0	180	7	**187**
Corporate Services & LGSS Managed	-16,593	-3,058	84	**-19,567**
Commercial & Investment	3,211	1,314	-6	**4,519**
LGSS Operational	1,998	3,159	36	**5,193**
Net Cost of Services	**149,879**	**23,251**	**2,088**	**175,218**
Other Income and Expenditure	-29,668	15,009	3,683	**-10,976**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**120,211**	**38,260**	**5,771**	**164,242**

Adjustments for Capital purposes

- In the **service lines** this column records adjustments in respect of depreciation, revenue expenditure funded from capital under statute (REFCUS), revaluation gains / losses, and Private Finance Initiative and lease movements.

- **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. There are also adjustments for movements in the market value of investment properties.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income

- For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure**, the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited / credited to the CIES and amounts payable / receivable to be recognised under statute.

- **For services** this comprises the accrual made in respect of accumulated absences.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non-Domestic Rates (NDR) that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future shares of the Collection Fund surpluses or deficits declared by the billing authorities.

9. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

2018/19 £000		2019/20 £000
	Expenditure	
301,406	Employee Benefits Expenses	313,991
509,936	Other Services Expenses	590,513
101,473	Depreciation,amortisation, impairment	139,157
44,456	Interest Payments	47,350
391	Precepts and Levies	407
0	Loss on the disposal of assets	35,619
957,662	**Total Expenditure**	**1,127,037**
	Income	
-99,106	Fees, charges and other service income	-99,628
-16,010	Gain on the disposal of assets	0
-8,580	Interest and Investment Income	-14,426
-348,214	Income from Council Tax and Non-domestic rates	-366,079
-494,921	Government Grants and Contributions	-499,873
-966,831	**Total Income**	**-980,006**
-9,169	**Surplus (-) or Deficit (+) on the Provision of Services**	**147,031**

10. OTHER OPERATING INCOME AND EXPENDITURE

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

2018-19 £000		2019-20 £000
391	Levies	407
-16,009	(Gains)/losses on the disposal of non current assets	35,619
-15,618	**Total**	**36,026**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2018-19 £000		2019-20 £000
30,969	Interest payable and similar charges	32,341
13,486	Net interest on the net defined benefit liability	15,009
-7,217	Interest receivable and similar income	-9,721
3,948	Income and expenditure in relation to investment properties and changes in their fair value	6,089
881	Trading accounts	5
-1,363	Other investment income	-4,705
40,704	**Total**	**39,018**

12. TAXATION AND NON-SPECIFIC GRANT INCOMES

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

2018-19 £000		2019-20 £000
-280,775	Council Tax Income	-299,012
-67,440	Non-Domestic Rates	-67,067
-16,094	Non-Ringfenced Government Grants	-30,284
-87,005	Capital Grants and Contributions	-71,373
-451,314	**Total**	**-467,736**

The main capital grants and contributions recognised in 2019-20 are grants and contributions from the Cambridgeshire and Peterborough Combined Authority (£27.4m) and S106 / CIL receipts (£39.1m).

13. POOLED BUDGETS

Better Care Fund

Cambridgeshire County Council hosts the local Better Care Fund. This is part of a national initiative to pool Health and Social Care funding to services to achieve better outcomes for the local community.

The fund is operated according to an agreement made under section 75 of the National Health Service Act 2006 between the County Council and the NHS in the form of Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).

The partners planned expenditure together through the fund including:

- NHS contributions to older people’s and adults' community health services, intermediate care and services for carers;

- Social Care spending on reablement, extra care and a range of other services;
- Additional funding from the NHS for County Council commissioned services in order to protect social care and respond to the Care Act;
- The Improved Better Care Fund grant paid to the County Council to provide investment to reduce delayed transfers of care to support pressures within adult social care;
- Disabled Facilities Grant for accommodation adaptations managed by the District Councils.

The financial results of the Better Care Fund for 2018-19 and 2019-20 are as follows:

2018-19 £000	Better Care Fund	2019-20 £000
	Funding provided to the pooled budget by:	
-14,799	the Council	-19,193
-36,983	NHS Cambridgeshire and Peterborough CCG	-38,652
-51,782		**-57,845**
	Expenditure met from the pooled budget:	
30,215	the Council	35,305
21,567	NHS Cambridgeshire and Peterborough CCG	22,540
51,782		**57,845**
0	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**
0	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**

In accordance with the section 75 agreement, NHS funded services which are commissioned directly by the Clinical Commissioning Group, do not require transactions to be via the County Council. Consequently, the actual transfer of funding from the NHS to the County Council related to 2019-20 as a result of the fund is £16.1m (£15.2m in 2018-19).

Other pooled budgets

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

- NHS Cambridgeshire and Peterborough CCG, for the provision of an Integrated Community Equipment Service (ICES) in Cambridgeshire, with the partner organisation contributing 49% of the budget;

2018-19 £000	Integrated Community Equipment Service	2019-20 £000
	Funding provided to the pooled budget by:	
-2,301	the Council	-2,374
-2,173	NHS Cambridgeshire and Peterborough CCG	-2,242
-4,474		**-4,616**
	Expenditure met from the pooled budget:	
2,323	the Council	2,374
2,193	NHS Cambridgeshire and Peterborough CCG	2,242
4,516		**4,616**
42	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**
22	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**0**

- NHS Cambridgeshire and Peterborough CCG, for the provision of integrated health and social services for Learning Disability Partnership (LDP) clients in Cambridgeshire, with the partner organisation contributing 23% of the budget.

2018-19 £000	Learning Disability Partnership	2019-20 £000
	Funding provided to the pooled budget by:	
-60,948	the Council	-64,090
-18,387	NHS Cambridgeshire and Peterborough CCG	-19,109
-79,335		**-83,199**
	Expenditure met from the pooled budget:	
63,424	the Council	64,955
19,134	NHS Cambridgeshire and Peterborough CCG	19,367
82,558		**84,322**
3,223	**Net Surplus (-) or Deficit (+) on the Pooled Budget**	**1,123**
2,476	**Council Share of the Net Surplus (-) or Deficit (+) on the Pooled Budget**	**865**

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

14. MEMBERS' ALLOWANCES

The allowances paid to members of the Council in 2019-20 were £912,049 (£923,789 in 2018-19) and expenses totalled £39,856 (£39,764 in 2018-19).

15. OFFICERS' REMUNERATION

Senior Employees

Schedule 1 of the Accounts and Audit Regulations 2015 involves a legal requirement to increase transparency and accountability in Local Government for reporting the remuneration of senior employees. The Council publishes detailed senior employee pay information covering, salary, bonuses, expenses allowances, compensation payments, pensions and any other benefits.

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

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

The majority of the senior employee roles are shared with Peterborough City Council under a S113 agreement (see footnotes below the table). Full remuneration is shown for all employees, however Cambridgeshire County Council pays only an agreed proportion for its share of the costs.

The Council's senior employee remuneration for 2019-20 (and 2018-19) is as follows:

Comprehensive Income and Expenditure Statement Supporting Notes

	Note		Salary, Fees & Allowances £000	Compensation for Loss of Employment £000	Employer Pension Contribution £000	Total Remuneration Including Employer Pension Contributions £000
Chief Executive (G Beasley) *		**2019-20**	171,597	0	29,013	**200,609**
		2018-19	173,971	0	29,376	**203,347**
Deputy Chief Executive and Chief Finance Officer (S151 Officer)	**1**	**2019-20**	144,524	0	25,292	**169,816**
		2018-19	140,056	0	24,510	**164,566**
Executive Director: People and Communities *	**2**	**2019-20**	148,054	0	0	**148,054**
		2018-19	145,502	0	6,262	**151,764**
Service Director: Adults and Safeguarding #	**3**	**2019-20**	127,368	0	22,289	**149,657**
		2018-19	122,865	0	21,501	**144,366**
Joint Executive Director: Place and Economy #	**4**	**2019-20**	120,907	0	21,159	**142,066**
(new role from 03/06/2020, shared with PCC)		**2018-19**	0	0	0	**0**
Executive Director: Place and Economy	**5**	**2019-20**	22,736	0	3,979	**26,714**
		2018-19	132,812	0	23,242	**156,054**
Director: Customer and Digital Services # *(shared with PCC from 01/01/2019)*		**2019-20**	110,895	0	19,407	**130,302**
(formerly titled Director: Corporate and Customer Services)		**2018-19**	102,285	0	17,900	**120,185**
Director: Public Health #		**2019-20**	107,273	0	17,354	**124,626**
		2018-19	112,538	0	16,183	**128,721**
Director: Business Improvement and Development #		**2019-20**	124,368	0	21,764	**146,132**
(new role from 01/07/2018, shared with PCC from 01/01/2019)		**2018-19**	90,283	0	15,800	**106,083**
Director: Legal and Governance (Monitoring Officer) #	**6**	**2019-20**	102,849	0	24,253	**127,103**
(new role from 01/11/2018)		**2018-19**	33,741	0	0	**33,741**
Monitoring Officer (via LGSS Law Ltd secondment)	**7**	**2019-20**	0	0	0	**0**
		2018-19	42,166	0	9,192	**51,358**
Total		**2019-20**	**1,180,571**	**0**	**184,509**	**1,365,080**
Total		**2018-19**	**1,096,219**	**0**	**163,966**	**1,260,184**

	Note		Salary, Fees & Allowances	Compensation for Loss of Employment	Employer Pension Contribution	Total Remuneration Including Employer Pension Contributions
			£000	£000	£000	£000
Chief Executive : Greater Cambridgeshire Partnership (R Stoppard)	8	**2019-20**	166,721	0	0	**166,721**
(new role from 01/04/2018)		**2018-19**	165,614	0	0	**165,614**

* Post shared under a S113 agreement with Peterborough City Council **(PCC employee)**. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.
# Post shared under a S113 agreement with Peterborough City Council **(CCC employee)**. Full remuneration is shown, however Cambridgeshire only pays an agreed proportion for its share of the costs.

Notes:

1. The Deputy Chief Executive & Chief Finance Officer was a non-executive director of This Land Limited, a company wholly owned by the Council, throughout 2019-20. The roleholder was also a non-executive director of Cambridge & Counties Bank, on behalf of the Pension Fund, until 26/10/2018.
2. The Executive Director: People and Communities opted out of the pension scheme during 2018-19.
3. The Service Director: Adults & Safeguarding reported to the Executive Director People & Communities throughout 2019-20 and the previous year. They were designated as the statutory director of adult social services with effect from 01/01/2020, requiring inclusion in this disclosure from this date. Details of their remuneration for the whole of 2019-20 and the previous year are provided.
4. The Joint Exective Director: Place and Economy role commenced on 03/06/2019. The Joint Executive Director began a non-executive directorship at This Land in December 2019.
5. This role was replaced by the new Joint Executive Director: Place and Economy role on 03/06/2019 so only remuneration covering 01/04/2019 to 02/06/2019 is included in this note.
6. The Monitoring Officer responsibilities are fulfilled by the Director of Law and Governance.
7. In the period between 11/05/2018 and the establishment of the new Director: Legal and Governance role, the Monitoring Officer responsibilities were covered via a secondment from LGSS Law Ltd, a shared services company owned by Cambridgeshire County Council, Central Bedfordshire Council and Northamptonshire County Council authorised by the Solicitors Regulation Authority.
8. This postholder is employed by Cambridgeshire County Council as the accountable body for the Greater Cambridgeshire Partnership. The partnership is a formal collaboration with ring-fenced funding and separate governance from the Council reporting to an Executive Board also comprising representatives from Cambridge City Council and South Cambs District Council.
9. The LGSS Managing Director is an employee of Northamptonshire County Council and is disclosed in the Officer's Remuneration note of the NCC Statement of Accounts.
10. The column for reporting taxable expenses and benefits in kind has been excluded from the disclosure note as there were no values to report for either financial year.

Employee remuneration above £50,000

In addition to those individuals shown in the senior officers table, the number of Council staff (including teachers but excluding senior employees) with remuneration (comprising salary, fees, expenses, allowances and any exit package) above £50,000 is as follows:

2018-19 No.	Remuneration Banding	2019-20 No.
124	£50,000 - £54,999	116
56	£55,000 - £59,999	67
35	£60,000 - £64,999	39
28	£65,000 - £69,999	27
23	£70,000 - £74,999	29
6	£75,000 - £79,999	11
4	£80,000 - £84,999	4
3	£85,000 - £89,999	4
4	£90,000 - £94,999	3
1	£95,000 - £99,999	3
2	£105,000 - £109,999	0
1	£110,000 - £114,999	1
2	£115,000 - £119,999	1
2	£120,000 - £124,999	2
0	£135,000 - £139,999	1
0	£140,000 - £144,999	1
291		**309**

Approximately half of the employees referred to in the above table are employed in Cambridgeshire schools (excluding academies).

Exit Packages

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

2018-19 Compulsory Redundancies No.	2018-19 Other Departures with Exit Package No.	2018-19 Total Exit Packages No.	2018-19 Total Cost of Exit Packages £000		2019-20 Compulsory Redundancies No.	2019-20 Other Departures with Exit Package No.	2019-20 Total Exit Packages No.	2019-20 Total Cost of Exit Packages £000
73	59	132	605	£0 - £20,000	23	46	69	359
9	9	18	576	£20,001 - £40,000	1	12	13	362
3	3	6	297	£40,001 - £60,000	2	1	3	143
1	0	1	64	£60,001 - £80,000	1	0	1	62
0	0	0	0	£80,001 - £100,000	1	1	2	191
0	0	0	0	£100,001 - £150,000	1	0	1	110
2	0	2	315	£150,001 - £200,000	0	0	0	0
0	1	1	227	£200,001 - £250,000	0	0	0	0
88	**72**	**160**	**2,084**	**Total**	**29**	**60**	**89**	**1,227**

16. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2019-20, incurring costs of £1.2m (£2.1m in 2018-19). See Note 15 above for the number of exit packages and total cost per band that has been paid during the year.

17. EXTERNAL AUDIT COSTS

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

2018-19 £000		2019-20 £000
72	Fees payable with regard to external audit services carried out by the appointed auditor	72
0	Additional fees payable with regard to external audit services carried out by the appointed auditor in the prior year	50
72		**122**

18. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The DSG (made under section 14 of the Education Act 2002) has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of Schedule 14 to, the School Standards and Framework Act 1998.

Details of the deployment of DSG receivable for 2018-19 and 2019-20 are as follows:

2018-19				2019-20		
Central Expenditure	Individual Schools Budget (ISB)	Total		Central Expenditure	Individual Schools Budget (ISB)	Total
£000	£000	£000		£000	£000	£000
		452,582	Final DSG before Academy recoupment			463,537
		-225,993	Academy figure recouped			-242,529
		226,589	**Total DSG after Academy Recoupment**			**221,008**
		-720	Brought forward from previous financial year			-7,171
		0	Carry forward to next financial year agreed in advance			0
43,919	**181,950**	**225,869**	**Agreed Initial Budgeted Distribution**	**39,346**	**174,490**	**213,837**
78	784	862	In year adjustments	17	-290	-273
43,997	**182,734**	**226,731**	**Final Budget Distribution**	**39,363**	**174,200**	**213,564**
-50,644	0	-50,644	Less: actual central expenditure	-52,948	0	-52,948
0	-183,258	-183,258	Less: actual ISB deployed to schools	0	-177,235	-177,235
0	0	0	Plus: local authority contribution	0	0	0
-6,647	**-524**	**-7,171**	**Carry Forward**	**-13,585**	**-3,035**	**-16,619**

The final DSG balance to carry forward to 2020-21 is a deficit of £16,619k, compared to the £7,171k deficit brought forward from 2018-19. The increasing deficit is the result of continuing pressures within the High Needs Block within DSG, due to overall numbers, complexity of need and unit costs of funding educational provision for children and young people with additional needs. Where possible any pressures on DSG funded services, including the brought forward deficit, will be managed from within the available DSG for 2020-21. The in-year position is reported to the Schools Forum in the autumn term, and monitored by the Children & Young People's Committee throughout the year, alongside details of the strategies and work streams in place to reduce overall spend on the High Needs Block. Consideration will then need to be given to the DSG budget setting approach to be taken in 2021-22, subject to any national policy changes.

19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Movements in balances in 2019-20:

2019-20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	47,443	0	0	-47,443
Revaluation losses on Property Plant and Equipment	84,229	0	0	-84,229
Movements in the fair value of Investment Properties	6,089	0	0	-6,089
Amortisation of intangible assets	1,396	0	0	-1,396
Capital grant and contributions applied	-34,011	0	0	34,011
Revenue Expenditure funded from Capital under Statute	34,320	0	0	-34,320
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	49,150	0	0	-49,150
Gain/loss on available for sale financial assets	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-18,600	0	0	18,600
Capital expenditure charged against the general fund balance	-1,619	0	0	1,619

Movement In Reserves Statement Supporting Notes

Other Adjustments	£000	£000	£000	£000
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-37,363	0	37,363	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-28,968	28,968
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	0	0	0	0
Capital Receipts used to fund capital expenditure	-13,456	-6,150	0	19,606
Flexible use of capital receipts	2,633	-2,633	0	
Adjustments involving the Deferred Capital Receipts Reserve:				
Finance lease deferred capital receipt adjustment	1	0	0	-1
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-47	0	0	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	71,281	0	0	-71,281
Employer's pension contributions and direct payments to pensioners payable in the year	-33,022	0	0	33,022
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,730	0	0	-3,730
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,088	0	0	-2,088
Total Adjustments	**164,242**	**-8,783**	**8,395**	**-163,854**

Movement In Reserves Statement Supporting Notes

Movements in balances in 2018-19:

2018-19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments Involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	44,898	0	0	-44,898
Revaluation losses on Property Plant and Equipment	1,284	0	0	-1,284
Movements in the fair value of Investment Properties	3,948	0	0	-3,948
Amortisation of intangible assets	1,690	0	0	-1,690
Capital grant and contributions applied	-94,395	0	0	94,395
Revenue Expenditure funded from Capital under Statute	48,196	0	0	-48,196
Non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	49,383	0	0	-49,383
Gain/loss on available for sale financial assets	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the Repayment of debt - Minimum Revenue Provision (MRP)	-16,867	0	0	16,867
Capital Expenditure charged against the General Fund	-2,946	0	0	2,946
Other Adjustments				
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-5,380	0	5,380	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-28,213	28,213

Movement In Reserves Statement Supporting Notes

2018-19	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Receipts Reserve:				
Capital Receipts received in year but not applied	-62,146	62,146	0	0
Capital Receipts used to fund capital expenditure	0	-41,731	0	41,731
Adjustments involving the Deferred Capital Receipts Reserve:				
Capital Receipts achieved in year but not received	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	667	0	0	-667
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	52,545	0	0	-52,545
Employer's pension contributions and direct payments to pensioners payable in the year	-32,499	0	0	32,499
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-1,627	0	0	1,627
Adjustment involving the Unequal Pay Back Pay Adjustment Account:				
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0
Reversal of previous capitalisation of Single Status costs	0	0	0	0
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	811	0	0	-811
Total Adjustments	**-12,438**	**20,415**	**-22,833**	**14,856**

20. TRANSFERS TO / FROM EARMARKED RESERVES

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

	Balance at 01-Apr-18 £000	Transfers Out 2018-19 £000	Transfers In 2018-19 £000	Balance at 31-Mar-19 £000	Transfers Out 2019-20 £000	Transfers In 2019-20 £000	Balance at 31-Mar-20 £000
Carry forward - schools	**14,155**	-13,991	6,714	**6,878**	-9,311	2,433	**0**
Carry forward - other	**1,240**	-319	968	**1,889**	-804	1,365	**2,450**
Insurance reserve	**3,175**	-2,503	3,388	**4,060**	-3,315	3,420	**4,165**
Transformation reserve	**22,722**	-5,392	8,018	**25,348**	-6,344	6,432	**25,436**
Other earmarked reserves	**25,499**	-9,318	9,708	**25,889**	-10,600	29,128	**44,417**
Total	**66,791**	**-31,523**	**28,796**	**64,064**	**-30,374**	**42,778**	**76,468**

The Council created a transformation fund reserve financed from an adjustment to debt defrayment. The General Purposes Committee decides on transfers out of the fund towards specific projects which have a business case showing a return to the Council, as part of the drive to transform services and deliver a major programme of reform, investment and savings across the medium-term.

The schools reserve listed above traditionally consists mainly of revenue balances held by individual maintained schools as part of their overall delegated funding. This funding remains in individual school bank accounts, but is consolidated into the overall accounts for reporting purposes. The reserve also contains other small elements of school funding in relation to Pupil Premium, Universal Infant Free Schools Funding and the pooled absence scheme for primary schools. These balances are subject to conditions of grant or local schemes and as such will be allocated in agreement with these arrangements during 2020-21. Also consolidated into this earmarked reserve is the accumulated high needs deficit that is ringfenced as part of the Dedicated Schools Grant. As set out above in Note 18 (DSG), the carried forward deficit in this area has increased to £16.6m by 31 March 2020, an increase of £9.4m from 31 March 2019. In the table above, the "carried forward – schools" reserve is reported as a zero balance as at 31 March 2020 as the Council cannot report a negative earmarked reserve. However, the total of carried forward schools' balances off-setting the accumulated high needs deficit leads to an overall deficit across the DSG of £3.1m.

21. USABLE RESERVES

Usable reserves are those reserves that contain resources that a Council can apply to the provision of services, either by incurring expenses or undertaking capital investment; whether or not there are particular restrictions on exactly what the resources can be applied to. Please refer to Notes 19 and 20 for details of the movements in usable reserves.

The Council's usable reserves are as follows:

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

- **Earmarked Reserves** – these are resources set aside for a specific purpose. The Council's earmarked reserves include balances to cover future pressures, insurance claims and general contingencies held by schools within advisory limits. This includes a Transformation reserve which has been set up to finance projects that will reduce the Council's operating costs. Further analysis of earmarked reserves is shown within Note 20;

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

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

Movements in the Council’s usable reserves are also detailed in the Movement in Reserves Statement (page 42).

22. UNUSABLE RESERVES

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

31-Mar-19 £000		31-Mar-20 £000
539,129	Revaluation reserve	471,848
660,167	Capital adjustment account	567,429
-1,851	Financial instruments adjustment account	-2,572
-613,107	Pensions reserve	-491,615
1,982	Collection Fund adjustment account	-1,748
-5,687	Accumulated absences account	-7,775
21,590	Deferred capital receipts reserve	21,589
602,223		**557,156**

Revaluation Reserve

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

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

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

2018-19 £000		2019-20 £000
513,116	**Balance at 1 April**	**539,129**
103,665	Upward revaluation of assets	116,721
-52,161	Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the Provision of Services	-156,916
564,620	**Surplus or Deficit on Revaluation of Long Term Assets not Posted to the Surplus or Deficit on the Provision of Services**	**498,934**
-5,262	Difference between fair value depreciation and historical cost depreciation	-5,305
-20,229	Accumulated gains on assets sold or scrapped	-21,781
-25,491	**Amount Written Off to the Capital Adjustment Account**	**-27,086**
539,129	**Balance at 31 March**	**471,848**

Capital Adjustment Account

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

The Account also contains revaluation gains and losses accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 19 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Movement In Reserves Statement Supporting Notes

2018-19 £000		2019-20 £000
599,920	**Balance at 1st April**	660,167
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
-44,898	Charges for depreciation of impairment of long-term assets	-47,443
-1,284	Revaluation gains reversing previous losses on Property, Plant and Equipment	-84,229
-1,690	Amortisation of intangible assets	-1,396
-48,196	Revenue expenditure funded from capital under statute	-34,320
-49,383	Amounts of long-term assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	-49,150
25,491	Adjusting amounts written out of the Revaluation Reserve	27,086
-119,960	**Net written out amount of the cost of non-current assets consumed in the year**	**-189,452**
	Capital financing applied in the year	
41,731	Use of the capital receipts reserve to finance new capital expenditure	19,606
94,398	Capital Grants and contributions credited to the Comprehensive Income and Expenditure statement that have been applied to capital financing	34,011
28,213	Application of grant to capital financing from the capital grants unapplied account	28,968
16,867	Statutory Provision for the financing of capital investments charged to the general fund	18,600
2,946	Capital expenditure charged against the general fund	1,619
-3,948	Movements in the market value of investment properties debited or credited to the Comprehesive Income and Expenditure Statement	-6,089
660,167	**Balance at 31 March**	**567,430**

Pensions Reserve

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

2018-19 £000		2019-20 £000
-507,109	**Balance at 1st April**	**-613,107**
-85,952	Re-measurement of net pension liability	159,751
-52,545	Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the comprehensive income and expenditure statement	-71,281
32,499	Employer's pensions contributions and direct payments to pensioners payable in the year	33,022
-613,107	**Balance at 31st March**	**-491,615**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2018-19 £000		2019-20 £000
21,591	**Balance at 1 April**	21,590
-1	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-1
21,590	**Balance at 31 March**	21,589

Cambridgeshire County Council

23. PROPERTY, PLANT AND EQUIPMENT

Movements in balances in 2019-20

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2019	**1,052,105**	**19,127**	**991,538**	**659**	**2,926**	**44,797**	**2,111,152**	**117,777**
Additions	25,161	4,820	57,885	0	0	12,810	100,676	0
Donations	0	0	0	0	0	0	0	0
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-48,956	0	0	-24	-261	0	-49,241	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-87,998	0	0	0	165	0	-87,833	0
De-recognition and Disposals	-35,640	0	-12,073	0	-26	-12,591	-60,330	0
Assets reclassified to (-)/from Held for Sale	1,332	0	0	0	0	0	1,332	0
Assets reclassified to (-)/from PPE	6,303	0	0	0	0	-6,303	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2020	**912,307**	**23,947**	**1,037,350**	**635**	**2,804**	**38,713**	**2,015,756**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2019	**-34,088**	**-19,048**	**-158,852**	**0**	**-5**	**-21,465**	**-233,458**	**-57,806**
Depreciation Charge	-12,880	-22	-26,354	0	-12	0	-39,268	-3,165
Depreciation written out of the Revaluation Reserve	8,892	0	0	0	9	0	8,901	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,474	0	0	0	5	0	3,479	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-4,820	0	0	0	-3,357	-8,177	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
De-recognition and Disposals	181	0	12,073	0	0	0	12,254	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2020	**-34,421**	**-23,890**	**-173,133**	**0**	**-3**	**-24,822**	**-256,269**	**-60,971**
At 31st March 2020	**877,886**	**57**	**864,217**	**635**	**2,801**	**13,891**	**1,759,487**	**56,806**
At 31st March 2019	**1,018,017**	**79**	**832,686**	**659**	**2,921**	**23,332**	**1,877,694**	**59,971**

Balance Sheet Supporting Notes

Movements in balances in 2018-19

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Plant, Property & Equipment £000	PFI Assets included in PPE £000
Cost or Valuation								
At 1st April 2018	**1,026,294**	**17,840**	**920,982**	**659**	**3,455**	**38,975**	**2,008,205**	**117,777**
Additions	249	1,287	79,285	0	0	39,934	120,755	0
Donations							0	
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	37,344	0	0	0	-489	0	36,855	0
Revaluation increases/decreases (-) recognised in the Surplus/Deficit on the Provision of Services	-4,375	0	0	0	-40	0	-4,415	0
De-recognition and Disposals	-37,575	0	-8,729	0	0	0	-46,304	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	-2,550	-2,550	0
Assets reclassified to (-)/from PPE	30,168	0	0	0	0	-30,168	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Intangible Assets	0	0	0	0	0	-1,394	-1,394	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0
At 31st March 2019	**1,052,105**	**19,127**	**991,538**	**659**	**2,926**	**44,797**	**2,111,152**	**117,777**
Accumulated Depreciation and Impairment								
At 1st April 2018	**-39,336**	**-17,407**	**-142,723**	**0**	**-1**	**-16,401**	**-215,868**	**-54,308**
Depreciation Charge	-13,318	-354	-24,858	0	-16	0	-38,546	-3,498
Depreciation written out of the Revaluation Reserve	14,608	0	0	0	10	0	14,618	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,196	0	0	0	2	0	3,198	0
Impairment losses/reversals (-) recognised in the surplus/deficit in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals (-) recognised in the surplus/deficit on the provision of services	0	-1,287	0	0	0	-5,064	-6,351	0
Assets reclassified to (-)/from Held for Sale	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from PPE	0	0	0	0	0	0	0	0
Assets reclassified to (-)/from Investment Properties	0	0	0	0	0	0	0	0
De-recognition and Disposals	762	0	8,729	0	0	0	9,491	0
Other Movements in Cost or Valuation							0	
At 31st March 2019	**-34,088**	**-19,048**	**-158,852**	**0**	**-5**	**-21,465**	**-233,458**	**-57,806**
At 31st March 2019	**1,018,017**	**79**	**832,686**	**659**	**2,921**	**23,332**	**1,877,694**	**59,971**
At 31st March 2018	**986,958**	**433**	**778,259**	**659**	**3,454**	**22,574**	**1,792,337**	**63,469**

Capital commitments

At 31 March 2020, the Council has entered into a number of new significant contracts for the construction or enhancement of Property, Plant and Equipment in 2020-21 and future years, budgeted to cost £9m. The figures included within the table below represent the full contract value, not just the commitment.

Contracts with major commitments are:

Expenditure approved and contracted		**31-Mar-20 £000**
Schools		
Bassingbourn Primary School	New construction	2,387
Other		
Building Maintenance	Building, Mechanical and Electrical Services	4,000
Community Hubs - Sawston	New construction	1,520
Total		**7,907**

Capitalisation of Borrowing Costs

In accordance with the Council's accounting policy, the Council capitalised £1,736k of borrowing costs in year in relation to qualifying assets (£1,710k in 2018-19). This was calculated using the Council's average borrowing rate of between 2.5% and 2.9% for the 4 quarters of 2019-20.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years, with all DRC assets and other properties with a value over £4m being valued every year. In order to ensure that carrying values are kept in line with current values in the interim, the Council undertakes a carrying value assessment annually and adjusts for any material variances if required. For 2019-20, the valuations were carried out externally by Royal Institution of Chartered Surveyors

(RICS) registered valuers, Bruton Knowles LLP. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the RICS Valuation. The effective date of revaluation for the rolling programme, desktop valuations and all Surplus assets is 30 November 2019.

The valuers carried out a review of assets revalued at 30 November 2019 and confirmed, based on the evidence available, that the valuations were materially correct as at 31 March 2020. However, the current situation regarding the Covid-19 pandemic clearly has the potential to impact on property valuations. There have been virtually no transactions post Covid-19 on which to base estimates as few investors or owners are choosing to sell at this time; as such the impact on the property market cannot be effectively predicted. The number of forced sales is predicted to be limited due to the government support packages that have been announced; however, there are worrying signs of a number of retailers failing, and other businesses struggling with the increased costs of social distancing. Also, difficulties in sourcing raw materials due to broken supply chains are likely to continue, leading to ongoing price fluctuations. Further market shift, both positive and negative, is likely as the situation continues and the 'new normal' will take many months to emerge. As a result of this uncertainty, the properties have not been revalued as at 31 March 2020.

The significant assumptions applied in estimating current values are:

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

Balance Sheet Supporting Notes

Valuation of long-term assets

	Carried at Historical Cost £000	Valued at Current Value as at: 2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Land and Buildings	0	56,771	22,298	20,546	56,333	756,359	**912,307**
Vehicles, Plant, Furniture and Equipment	23,947	0	0	0	0	0	**23,947**
Infrastructure Assets	1,037,350	0	0	0	0	0	**1,037,350**
Community Assets	0	0	0	620	0	15	**635**
Surplus Assets	0	0	0	0	60	2,744	**2,804**
Assets Under Construction	38,713	0	0	0	0	0	**38,713**
	1,100,010	**56,771**	**22,298**	**21,166**	**56,393**	**759,118**	**2,015,756**
Assets Held for Sale	0	0	0	284	89	372	**745**
Investment Properties	0	0	0	0	0	140,782	**140,782**
Total Held at Cost or Revaluation	**1,100,010**	**56,771**	**22,298**	**21,450**	**56,482**	**900,272**	**2,157,283**

24. HERITAGE ASSETS

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

Valuation or Cost	Archives £000	Art Collection £000	Total Assets £000
01-Apr-18	**21,199**	**15**	**21,214**
Additions during 2018-19	1	0	**1**
Disposals during 2018-19	-2,551	-4	**-2,555**
Revaluations during 2018-19	0	0	**0**
31-Mar-19	**18,649**	**11**	**18,660**
Additions during 2019-20	0	0	**0**
Disposals during 2019-20	0	0	**0**
Revaluations during 2019-20	350	0	**350**
31-Mar-20	**18,999**	**11**	**19,010**

The Council’s collections of archives and art are valued in the Balance Sheet at insurance valuation. The most recent valuation of archives was carried out by Bonhams on 13th March 2020. These valuations are repeated periodically. The Council has considered the collections during 2019-20 for possible impairments and does not believe it is economic to conduct revaluations on a more frequent basis.

Balance Sheet Supporting Notes

25. LONG-TERM DEBTORS

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

2018-19 £000		2019-20 £000
88,512	This Land Group	96,512
21,588	Long term finance lease receivable	21,587
12,732	Other	10,662
122,832		**128,761**

26. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	10,723	13,146	0	0
Financial assets at amortised cost	1,937	4,446	325	410
Total investments	**12,660**	**17,592**	**325**	**410**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	21,459	49,137
Total cash and cash equivalents	**0**	**0**	**21,459**	**49,137**
Debtors:				
Financial assets at amortised cost	122,832	128,761	110,067	78,178
Total debtors	**122,832**	**128,761**	**110,067**	**78,178**
Borrowings:				
Financial liabilities at amortised cost	-430,687	-617,695	-170,871	-150,172
Total borrowings	**-430,687**	**-617,695**	**-170,871**	**-150,172**
Other liabilities:				
Other liabilities	-112,720	-106,891	-94,539	-87,323
Total other liabilities	**-112,720**	**-106,891**	**-94,539**	**-87,323**

Income, Expense, Gains and Losses

	2019-20			
	Financial Liabilities at amortised cost £000	Financial Assets at amortised cost £000	Financial Assets: Through Other Comprehensive Income £000	Total £000
Interest expense	32,341	0	0	**32,341**
Total expense in (Surplus)/ Deficit on the Provision of Services	**32,341**	**0**	**0**	**32,341**
Interest income	0	-9,721	0	**-9,721**
Total income in (Surplus)/ Deficit on the Provision of Services	**0**	**-9,721**	**0**	**-9,721**
Net gains(-)/losses(+)	0	0	768	**768**
Total income and expenditure in Other Comprehensive Income and Expenditure	**0**	**0**	**768**	**768**
Net (gain) / loss for the year	**32,341**	**-9,721**	**768**	**23,388**

Fair Values

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

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

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

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

Except for the financial assets carried at fair value, all other financial assets and financial liabilities are carried on the balance sheet at amortised cost. The fair value for financial assets and financial liabilities that are not measured at fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions to provide an estimate of the value of payments in the future in today's terms as at the balance sheet date:

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

Fair value hierarchy for financial liabilities

	31-Mar-19		31-Mar-20	
	Total Carrying amount	Fair value	Total Carrying amount	Fair value
	£000	£000	£000	£000
PWLB borrowing	-274,757	-346,513	-381,430	-424,308
Non-PWLB borrowing	-326,801	-356,644	-386,437	-415,516
Short term creditors/payables	-89,896	-89,896	-82,672	-82,672
Short term finance lease & PFI liability	-4,643	-4,643	-4,651	-4,651
Long term finance lease & PFI liability	-112,720	-112,720	-106,891	-106,891
Total financial liabilities	**-808,817**	**-910,416**	**-962,081**	**-1,034,038**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £424.8m measures the economic effects of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption.

Balance Sheet Supporting Notes

Fair value hierarchy for financial assets

	31-Mar-19		31-Mar-20	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fixed term investments	0	0	0	0
Cash and cash equivalents	21,459	21,459	49,137	49,137
Debtors	110,067	110,067	78,178	78,178
Long-term debtors	122,832	122,832	128,761	128,761
Total financial assets	**254,358**	**254,358**	**256,076**	**256,076**
Long Term Equity Investments	10,723	10,723	13,146	13,146
Financial assets through other comprehensive income (FVOCI)	**10,723**	**10,723**	**13,146**	**13,146**

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

27. FAIR VALUE HIERARCHY

Details of the Council's Surplus Assets, Assets Held for Sale and Investment Properties and information about the fair value hierarchy as at 31 March 2020 and 31 March 2019 are as follows:

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2020 £000
Surplus Assets	223	2,578	**2,801**
Assets Held for Sale	228	517	**745**
Investment Assets	137,988	2,794	**140,782**
Total	**138,439**	**5,889**	**144,328**

Fair value measurements for:	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31/03/2019 £000
Surplus Assets	1,458	1,463	**2,921**
Assets Held for Sale	361	2,871	**3,232**
Investment Assets	40,168	3,298	**43,466**
Total	**41,987**	**7,632**	**49,619**

Valuation Techniques

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

Significant Observable Inputs – Level 2

Land, Office, Day Centre, Depot, Student Accommodation, Leisure and Retail assets have been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs is significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Observable Inputs – Level 3

Ancient Monument, Community Centres, former Landfill, Amenity Land, Farm Land and Educational assets have been based on a comparable approach. This is by estimated market rental values (as the majority of these assets are let at sub-market rents) or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Typical valuation inputs which have been analysed in arriving at the Fair Valuations include;

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout,
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, Assets Held for Sale and Investment Properties, the highest and best use is their current use for most of the assets. However, for 15 assets their highest and best use is actually for an alternative use (18 assets in 2018-19). In most cases, this alternative use is for residential development land – however the Council cannot realise that alternative value until planning permission is granted (although this is not guaranteed) and / or the asset is sold. As such, in the meantime these assets are either not in use (and therefore their current existing use is their previous use) or they have been put to an alternative use in the meantime whilst they await disposal or future development.

Balance Sheet Supporting Notes

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

Fair value movements for assets categorised within level 3:	**31-Mar-19** **£000**	**31-Mar-20** **£000**
Opening balance	6,840	7,631
Transfers into level 3	6,057	1,356
Transfers out of level 3	-130	-926
Reclasses between PPE, AHFS and Investment Properties	2,416	-1,332
Total gains [or losses] for the period included in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	-565	468
Total gains [or losses] for the period included in Surplus or deficit on revaluation of long-term assets	-787	-355
Disposals	-6,183	-942
Depreciation	-17	-12
Closing Balance	**7,631**	**5,888**

The loss arising from changes in the fair value of level 3 assets has been recognised in the Surplus or Deficit on the Provision of Services in the People and Communities, Commercial & Investment and Financing and Investment Income and Expenditure lines.

Balance Sheet Supporting Notes

28. SHORT-TERM DEBTORS

31-Mar-19 £000		31-Mar-20 £000
60,292	Trade debtors	39,891
35,215	Central government bodies	33,910
11,450	NHS bodies	6,567
11,451	Collection fund debtors	4,075
1,342	Other	4,133
119,750	**Total Short Term Debtors**	**88,576**

29. CASH AND CASH EQUIVALENTS

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

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

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

	31-Mar-19	31-Mar-20
	£000	£000
Cash held by the Council	2,143	10,013
Cash equivalents	19,316	39,124
	21,459	**49,137**

30. SHORT-TERM CREDITORS

31-Mar-19		31-Mar-20
£000		£000
-71,041	Trade creditors	-61,338
-10,143	Central government bodies	-24,726
-5,003	NHS bodies	-3,852
-6,897	Collection fund creditors	-5,578
-5,687	Accumulated absences accrual	-7,775
-4,643	Finance lease liabilities	-4,651
-7,869	Other	-5,132
-111,283	**Total Short Term Creditors**	**-113,052**

31. OTHER LONG-TERM LIABILITIES

An analysis of other long-term liabilities is shown below:

31-Mar-19 £000		31-Mar-20 £000
-613,107	Pensions liabilities	-491,615
-77	Long term finance lease (non-PFI)	-77
-112,643	Long term finance lease (PFI)	-106,814
-725,827		**-598,506**

32. GRANT INCOME

The following is a list of all grants and contributions received in excess of £2 million during 2019-20 where the grant / contribution has been recognised as income:

2018-19 £000		2019-20 £000
	Credited to taxation and non specific grant income	
11,082	S106, CIL and other capital contributions	40,051
17,800	Local Transport Plan funding passported via Combined Authority	18,583
4,512	Cambridgeshire and Peterborough Combined Authority contributions	8,777
1,453	Adult Social Care Support Grant	3,970
3,354	New homes bonus	2,970
3,290	Business Rates compensation grant	4,289
0	COVID-19 Support Grant	14,612
61,608	Other grants	8,405
103,099	**Credited to taxation and non specific grant income**	**101,657**

Balance Sheet Supporting Notes

2018-19 £000		2019-20 £000
	Credited to services	
225,520	Dedicated schools grant	221,008
26,253	Public Health grant	25,560
19,134	Learning Disability Partnership (NHS pooled budget contribution)	19,367
15,417	Better Care Fund (NHS pooled budget contribution)	16,112
10,658	Better Care Fund (MHCLG Grant)	12,401
0	Northstowe DfE grant (REFCUS)	9,364
0	Combined Authority Levy contribution	8,738
8,943	Pupil premiums	8,362
680	Teachers' Pay Grant	4,329
5,048	Universal Infant Free School Meals funding	4,280
3,943	Better Care Fund Financing Disabled Facilities	4,468
2,933	Unaccompanied asylum seekers grant	3,746
651	Opportunity Area Grant	3,564
2,474	Primary schools sports funding	2,280
2,324	Adult social care winter funding	2,324
2,216	Integrated Community Equipment Service (NHS pooled budget contribution)	2,242
2,145	Adult education budget block grant	2,033
39,027	Other contributions	38,338
24,456	Other grants	9,699
391,822	**Total Credited to services**	**398,215**
494,921	**Grant Total**	**499,872**

Cambridgeshire County Council

Capital grants and contributions received in advance

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

2018-19 £000		2019-20 £000
	Current	
60	Grants	146
2,945	Section 106 contributions and Community Infrastructure levy	0
3,005		**146**
	Long Term	
51,749	Section 106 contributions	31,799
303	Other contributions	303
52,052		**32,102**
55,057	**Total**	**32,248**

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The closing CFR at 31 March 2020 was £999m (£847m at 31 March 2019).

2018-19 £000		2019-20 £000
	Expenditure funded from capital:	
120,755	Property, Plant and Equipment	100,676
39,463	Investment Properties	103,405
3,950	Intangible Assets	7,003
48,196	Revenue Expenditure Funded from Capital under Statute	34,320
62,779	Long-term Capital Debtors	10,657
	Sources of finance:	
-41,731	Capital receipts	-19,606
-122,582	Government grants and other contributions	-62,979
-2,946	Direct revenue contributions	-1,619
	Sum set aside from revenue:	
-16,867	MRP/loans fund principal	-18,600
91,017	**Increase in Capital Financing Requirement**	**153,257**
	Explanation of movements in year:	
91,017	Increase in underlying need to borrowing (unsupported by government financial assistance)	153,257
91,017	**Increase in Capital Financing Requirement**	**153,257**

34. LEASES

Council as Lessee:

Finance Leases

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

31-Mar-19 £000		31-Mar-20 £000
49,339	Other land and buildings	39,355

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

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

31-Mar-19			31-Mar-20	
MLP £000	FLL £000		MLP £000	FLL £000
11	5	Not later than 1 year	6	2
30	17	Later than 1 year and not later than 5 years	25	8
432	56	Later than 5 years	426	44
473	**78**	**Total**	**457**	**54**

Balance Sheet Supporting Notes

Council as Lessor:

(i) Finance Leases

The Council has leased out playing fields, a landfill site, all Academy land and buildings and Castle Court (a lease from January 2016) under finance leases. For the non-Academy leases, the Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

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

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

31-Mar-19			31-Mar-20	
MLP	GI		MLP	GI
£000	£000		£000	£000
1,356	1,016	Not later than 1 year	1,489	1,058
5,383	3,437	Later than 1 year and not later than 5 years	5,954	3,612
157,045	11,041	Later than 5 years	156,188	12,711
163,784	**15,494**	**Total**	**163,631**	**17,381**

Note: GI figures do not include any potential unguaranteed residual value and associated unearned finance income due to a lack of reliable information required to accurately calculate them.

(ii) Operating Leases

The Council leases out property under operating leases, primarily to schools and farms. The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-19 £000		31-Mar-20 £000
5,084	Not later than 1 year	5,089
15,340	Later than 1 year and not later than 5 years	14,528
20,128	Later than 5 years	18,810
40,552	**Total**	**38,427**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Waste PFI

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

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

There is no option within the contract for renewal given the operation of the PFI mechanism, as the payment term for the asset will be complete and the payment mechanism will no longer apply. However, extension on revised terms, rather than full renewal, is accommodated in the contract after the 28 year period, and multiple termination clauses exist within the contract for both parties for factors such as contractor default, Council default, contract breach and Force Majeure etc. Council or contractor initiated change processes are defined in the project agreement and the principle of 'no better, no worse', can be applied to any and all aspects of the contract, at any level of cost or time, given the defined dispute resolution procedures and the support of appointed independent adjudicators.
For 2019-20, the following figures have been recognised in the Council’s financial statements:

2018-19 £000	Comprehensive Income and Expenditure Statement	2019-20 £000
12,927	Fair value of services provided	13,429
6,699	Interest payable on the finance lease liability	6,407
2,074	Repayment of capital	2,366
2,437	Contingent rents	2,693
920	Depreciation	920
-2,611	PFI credits	-2,611

31-Mar-19 £000		31-Mar-20 £000	Movement £000
	Assets		
15,275	Land and buildings	14,377	-898
77	Plant and equipment	55	-22
	Liabilities		
-2,366	Short term finance lease liability	-2,306	60
-43,071	Long term finance lease liability	-40,765	2,306
	Reserves		
1,199	Revaluation Reserve	1,128	-71
-31,284	Capital Adjustment Account (Depreciation and Debt Provision)	-29,767	1,517

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

Balance Sheet Supporting Notes

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	13,920	543	2,306	8,879	**25,648**
Within 2 to 5 years	59,959	16,316	253	33,104	**109,632**
Within 6 to 10 years	83,981	15,010	9,244	44,583	**152,818**
Within 11 to 15 years	95,361	6,463	24,208	46,577	**172,609**
Within 16 to 20 years	17,417	0	7,060	8,139	**32,616**
Total	**270,638**	**38,332**	**43,071**	**141,282**	**493,323**

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

2018-19 £000		2019-20 £000
49,010	**Balance outstanding at start of year**	**46,936**
-2,074	Payments during the year	-2,366
46,936	**Balance outstanding at end of year**	**44,570**

Street Lighting PFI

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

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

The contract does not specify any dates of renegotiation; however the pricing mechanism does include an inflationary adjustment in April of each year to reflect changes in Retail Price Index. Upon conclusion of the 25 year contract the contract will terminate and there are no contractual clauses relating to the renewal of this agreement.

On the 14 April 2011, the Department for Transport confirmed that Cambridgeshire had been successful in its bid for Street Lighting PFI Credits and has awarded £100.3 million over the 25 years of the contract.

For 2019-20, the following figures have been recognised in the Council’s financial statements:

2018-19 £000	**Comprehensive Income and Expenditure Statement**	**2019-20 £000**
2,231	Fair value of services provided	2,318
3,915	Interest payable on the finance lease liability	3,790
1,422	Repayment of capital	1,627
154	Contingent rents	196
2,245	Depreciation	2,245
-3,944	PFI credits	-3,944

31-Mar-19 £000		31-Mar-20 £000	Movement £000
	Assets		
44,620	Infrastructure	42,375	-2,245
	Liabilities		
-1,627	Short term finance lease liability	-1,682	-55
-41,466	Long term finance lease liability	-38,606	2,860
	Reserves		
1,527	Capital Adjustment Account (Depreciation and Debt Provision)	2,087	560

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	2,381	0	1,682	3,952	**8,015**
Within 2 to 5 years	11,344	2,375	5,447	13,793	**32,959**
Within 6 to 10 years	15,323	3,571	10,340	14,155	**43,389**
Within 11 to 15 years	16,655	3,449	16,771	9,248	**46,123**
Within 16 to 20 years	4,391	0	6,049	1,558	**11,998**
Total	**50,094**	**9,395**	**40,289**	**42,706**	**142,484**

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

2018-19 £000		2019-20 £000
44,516	**Balance outstanding at start of year**	**43,094**
-1,422	Payments during the year	-1,544
43,094	**Balance outstanding at end of year**	**41,550**

Building Schools for the Future (BSF)

On 18 May 2010, the Council entered a contract with Equitix Learning Community Partnerships to deliver school building and ICT projects. This programme includes a PFI element that comprises the following:

- Thomas Clarkson Academy – construction and ongoing Facilities Management services for the school, for which the total nominal unitary charge payments over the 25 year concession period from 4 January 2012 to 3 January 2037 will total £144.5m.

This is largely funded by PFI credits totalling £121.1m from the Department for Education, with the difference funded by school contributions and the Council's capital programme.

As Thomas Clarkson Community College converted to academy status on the 1 June 2012 (and became Thomas Clarkson Academy; it was previously a foundation school), its assets are not recognised on the Council's Balance Sheet. However, the associated liabilities are recognised, as the contractor has met their contractual commitment and there is no recourse to the school for any future payments.

Balance Sheet Supporting Notes

For 2019-20, the following figures have been recognised in the Council's financial statements:

2018-19 £000	Comprehensive Income and Expenditure Statement	2019-20 £000
1,082	Fair value of services provided	863
3,141	Interest payable on the finance lease liability	3,061
757	Repayment of capital	650
492	Contingent rents	532
93	Lifecycle replacement costs	281
-712	Contribution from school	-534
-4,853	PFI credits	-4,853

31-Mar-19 £000	Balance Sheet	31-Mar-20 £000	Movement £000
	Liabilities		
-650	Short term finance lease liability	-662	-12
-28,193	Long term finance lease liability	-27,530	663
	Reserves		
-28,843	Capital Adjustment Account	-28,192	651

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

	Cost of Services £000	Capital replacement £000	Liability repayment £000	Interest costs & contingent rents £000	Total £000
Within 1 year	885	337	662	3,564	**5,448**
Within 2 to 5 years	3,767	1,116	3,708	13,857	**22,448**
Within 6 to 10 years	5,263	1,418	7,333	15,640	**29,654**
Within 11 to 15 years	5,954	2,047	11,377	12,264	**31,642**
Within 16 to 20 years	2,595	979	5,112	2,992	**11,678**
Total	**18,464**	**5,897**	**28,192**	**48,317**	**100,870**

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

2018-19 £000		2019-20 £000
29,599	**Balance outstanding at start of year**	**28,842**
-757	Payments during the year	-650
28,842	**Balance outstanding at end of year**	**28,192**

36. IMPAIRMENT LOSSES

During 2019-20, the Council has recognised an impairment loss of £8,177k. This is in relation to capital expenditure on assets that will not ultimately enhance the asset's value. The recoverable amounts of the assets have been reduced to their value in use and the impairment loss has been charged to the Comprehensive Income and Expenditure Statement against the following services:

- People and Communities (£5,366k)
- Place and Economy (£419k)
- Corporate Services (£551k)
- Commercial and Investments (£1,841k)

37. RETIREMENT BENEFITS

DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Cambridgeshire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Cambridgeshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note (see Appendix 1, page 225).

Discretionary post-retirement benefits

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

Transactions relating to post-employment benefits

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

As previously stated, the Local Government Pension Scheme (LGPS) is administered locally by Cambridgeshire County Council on behalf of all participating employers. It should be noted that the following figures only represent the Council's share as a participating employer. The figures for the entire LGPS administered by Cambridgeshire County Council are shown in the Pension Fund Accounts on pages 148-205. As further explained in the Pension Fund Accounts, employer contributions to the scheme are based on two rates, which are reassessed every three years as part of the valuation undertaken by the Fund's actuary:

- Primary rate – employer contribution to fund the cost of new benefits accruing in the Fund;
- Secondary rate – employer contribution required to achieve 100% solvency over a maximum period of 20 years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable (i.e. no fund deficit).

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018-19 £000	Local Government Pension Scheme	2019-20 £000
	Comprehensive Income and Expenditure Statement:	
	Cost of services - service cost comprising:	
50,720	Current service cost	61,591
5,540	Past service cost	-1,668
-17,200	Gain (-) or loss (+) from settlements	-3,651
	Financing and investment income and expenditure:	
13,486	Net interest expense	15,009
52,546	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**71,281**
	Other post-employment benefits charged to the comprehensive income and expenditure statement:	
	Remeasurement of the net defined benefit liability comprising:	
-39,550	Return on plan assets (excluding the amount included in net interest)	102,621
0	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	-37,115
125,370	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	-138,272
132	Other actuarial remeasurement experience	-86,985
138,498	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**-88,470**
	Movement in Reserves Statement:	
20,047	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	38,259
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year:	
-32,499	**Employers' contributions payable to scheme**	**-33,022**
41,578	**Retirement Benefits payable to pensioners**	**45,594**

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2018-19 £000		2019-20 £000
-1,698,964	Present value of the defined benefit obligation	-1,494,475
1,085,857	Fair value of plan assets	1,002,859
-613,107		**-491,616**

Reconciliation of the movements in the fair value of scheme (plan) assets

2018-19 £000		2019-20 £000
1,030,722	**Opening Fair Value of Schemes**	**1,085,857**
27,480	Interest income	26,017
	Remeasurement gains (+) or losses (-):	
39,551	Return on plan assets (excluding the amount included in the net interest expense)	-102,621
-11,010	Effect on settlements	-2,489
32,499	Contributions from employer	33,022
8,193	Contributions from employees into the scheme	8,668
-41,578	Benefits paid	-45,594
1,085,857		**1,002,860**

Balance Sheet Supporting Notes

Cambridgeshire County Council

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2018-19 £000		2019-20 £000
1,537,831	**Opening Defined Benefit Obligation**	**1,698,964**
50,720	Current service cost	61,591
40,966	Interest cost	41,026
8,193	Contribution by scheme articipants	8,668
	Remeasurement gains (-) or losses (+):	
0	Arising from changes in demographic assumptions	-37,115
125,370	Arising from changes in financial assumptions	-138,272
132	Other	-86,985
5,540	Past service costs (including curtailments)	-1,668
-41,578	Benefits paid	-45,594
-28,210	Liabilities extinguished on settlements	-6,140
1,698,964		**1,494,475**

Balance Sheet Supporting Notes

Local Government Pension Scheme assets comprise:

2018-19 £000		2019-20 £000
13,447	Cash and Cash Equivalents	15,134
82,216	Private equity	82,254
26,936	Debt securities (bonds) - Government	51,918
	Equity instruments (by industry type):	
32,806	Consumer	0
19,544	Manufacturing	0
22,803	Energy and utilities	0
40,818	Financial institutions	0
6,571	Health and care	0
5,778	Information technology	0
128,320		0
	Investment funds and unit trusts:	
608,286	Equities	607,866
100,906	Bonds	68,014
45,196	Infrastructure	90,420
80,550	Other	0
834,938		766,300
	Derivatives:	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
0	Other	12,200
0		12,200
	Property:	
0	UK	75,039
0	Overseas	14
0		75,053
1,085,857		**1,002,859**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis as an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, with estimates being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions including the discount rate used by the actuary have been:

2018-19		2019-20
Years	**Mortality assumptions:**	**Years**
	Longevity at 65 for current pensioners:	
22.4	Men	22.0
24.4	Women	24.0
	Longevity at 65 for future pensioner:	
24.0	Men	22.7
26.3	Women	25.5
%	**Other assumptions:**	**%**
2.5	Rate of inflation	2.8
2.8	Rate of increase in salaries	2.4
2.5	Rate of increase in pensions	1.9
2.4	Rate for discounting scheme liabilities	2.3

It should be noted that the rate of increase in salaries is the actuarial assumption of the rate of increase over a long-term period, and not the actual value of annual pay increases received by staff.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. Longevity assumptions are made in respect of increases or decreases in life expectancy. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous year.

	Impact on the Defined Benefit Obligation in the Scheme £000
0.5% decrease in inflation/discount rate	141,376
0.5% increase in salary rate	8,818
0.5% increase in pension increase rate	131,758

A one year increase in life expectancy would increase the employers' defined benefit obligation by an estimated 3% - 5%

The Council is anticipated to pay £29.4m employer contributions to the scheme in 2020-21.

The Court of Appeal decision on the 28 June 2019 in the Sargeant / McCloud cases (generally referred to for the LGPS as “McCloud”) ruled that the transitional protection afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The liabilities disclosed above include an allowance for the McCloud ruling, i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. The calculation of this allowance was provided by the Council’s actuary.

Balance Sheet Supporting Notes

PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers' pension schemes costs

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019-20, the Council paid £13.0m to Teachers' Pensions in respect of teachers' retirement benefits (2018-19 £10.7m). There were £39k contributions remaining payable at the year-end. Contributions in 2020-21 are expected to be at a similar level.

2018-19 £000	Teachers' Pension Scheme	2019-20 £000
10,715	Employer's contributions	13,019
5,853	Employee contributions	5,660
16,568		**18,679**

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. The Council is not liable to the scheme for any other entities obligations under the plan.

38. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Refinancing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team within LGSS, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

This Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign rating to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2019-20 was approved by Full Council in February 2019 and is available on the Council's website.

Customers for the Council's goods and services are assessed for their ability to pay in accordance with parameters set by the Council. The Council does not allow credit for its trade receivables beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk to recovery applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council's credit risk exposure to its customers and entities that it loans funds to (such as This Land Limited) is monitored and regularly reviewed to ensure that money owed to the Council is paid as it falls due. The value of these amounts are impaired if it's felt that that this debt would not be recoverable.

During the reporting year the Council held no collateral as security, other than for loans to This Land Group which were collateralised by way of mortgages on 26 properties.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover anticipated annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investment placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial liabilities is as follows (note this reflects loan principal, not accrued interest), with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Balance Sheet Supporting Notes

31-Mar-19 £000	Debt maturity (lower/upper limits as	Approved limit %	31-Mar-20 %	£000
151,160	Less than 1 year	0 – 80	**32%**	**241,897**
102,899	1-2 years	0 – 50	**15%**	**114,207**
70,547	2-5 years	0 – 50	**7%**	**51,348**
62,566	5-10 years	0 – 50	**9%**	**72,583**
211,085	10 years and above	0 – 100	**37%**	**287,832**
598,257	**Total**		**100%**	**767,867**

The maturity analysis above is based on the earliest date the loans can be repaid. For Lender Option Borrower Option (LOBO) loans this is considered to be the next options date (balance at 31 March 2020 £15.5m).

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

39. RELATED PARTIES

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in the subjective analysis in Note 9 analysing income and expenditure.

Member and Senior Officer Declarations

All Members and Senior Officers of the Council have been requested to detail any related party transactions in as far as they affect them.

A close relative of a senior officer is Director of Social Care for the Chartwell Group, who provide residential education provision. Cambridgeshire children are placed at Chartwell Group facilities and as such the Council made payments in 2019-20 of £1.7m to the Chartwell Group. The senior officer does not have any involvement in decisions about where children are placed.

A member is a trustee of Viva! Arts & Community Group, which have received a loan of £300k from the Council during 2019-20 towards a major building renovation project. The trust has received in excess of £1m of funding for the project from a number of sources, including The National Heritage Lottery Fund, East Cambridgeshire District Council and Arts Council England.

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

Entities controlled or significantly influenced by the Council

Under partnership working arrangements, the Council has interests in the following bodies at 31 March 2020:

LGSS with Northamptonshire County Council and Milton Keynes Council		
Legal status of entity	Joint Committee	
Business of entity	Joint delivery of transactional and professional functions with a view to more economical, efficient and effective services	
Council's share of entity	2018-19 33%	2019-20 33%

LGSS was established in October 2010 and is delivered through a joint committee with its own management team. LGSS is jointly owned by Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council and provides complete back office services and corporate support functions to other public service organisations including several District & Borough Councils (e.g. Northampton Borough and Norwich City Council), NHS Health Bodies, Adult Social Care and schools. (LGSS is not a joint arrangement, associate or subsidiary). The value of LGSS transactions is shown in the LGSS Operational line of the Comprehensive Income and Expenditure Statement.

LGSS Law Ltd

LGSS Law Ltd was spun off from the existing LGSS shared service venture, operating as a private limited company to take advantage of the Alternative Business Structure status that allowed non-lawyers to own legal practices. Ownership is split equally between Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Central Bedfordshire Council, with each Council owning 475,000 £1 shares each.

During 2019-20 the Council made payments of £4.2m to LGSS Law Ltd as payment for legal services received in the year. At 31 March 2020 there was a debtor balance of £0.9m (2018-19 £2.3m) and a creditor balance of £0.3m (2018-19 £0.4m) with LGSS Law Ltd.
The Council has considered that group accounts will not be required for LGSS Law Ltd, as the net worth of LGSS Law Ltd and exposure to risk is not material. Users of the Council accounts will be able to see the complete activities of the Council and its exposure to risk without producing group accounts.

Annual Statement of Accounts for LGSS Law Ltd are published separately and lodged at Companies House.

Pensions

Administrative and other recharges made by the Council to the Pension Fund totalled £2.4m (2018-19 £2.2m).

The Council is also the single largest employer of members of the Pension Fund and contributed £21.0m to the Fund in 2019-20 (2018-19: £21.2m). At 31 March 2020 there was £5.7m (31 March 2019: £0.2m) due to the Fund by the Council.

Cambridge and Counties Bank

Cambridge and Counties Bank (CCB) specialises in providing lending and deposit products to UK- based SMEs. Its key products include business deposits, loans secured on property, secured pension lending and asset finance. There was no outstanding balance at year end.

The bank has a unique structure being jointly owned by the Cambridgeshire Local Government Pension Fund and Trinity Hall (a constituent college of the University of Cambridge), each owning a 50% share. The current market value of the Pension Fund's investment at 31 March 2020 is £58.0m (£81.1m at the 31st March 2019).

This Land Group

The Cambridgeshire Housing Investment Company (CHIC) was incorporated in June 2016, and subsequently renamed as This Land Limited on 14 February 2018. 'This Land Group' now comprises a number of subsidiary entities in addition to the parent (the subsidiaries are This Land Development Limited, This Land Investment Limited, This Land Asset Management Limited and This Land Finance Limited). Cambridgeshire County Council is the sole and ultimate owner of all parts of the This Land Group. At 31 March 2020 there was a debtor balance of £96.5m with the This Land Group, being loans by CCC to the This Land Group. As the Council has control of the entity and there are material transactions with the company, the This Land Group is consolidated in the Group Accounts (page 135).

Opus LGSS People Solutions Ltd

Opus LGSS is a joint venture between Opus People Solutions (a wholly-owned subsidiary of Suffolk County Council) and LGSS set up in July 2016 to meet the temporary and interim recruitment needs of Cambridgeshire County Council and Northamptonshire County Council. The Council has a 16% shareholding in the company.

During 2019-20 the Council made payments of £7.1m to Opus LGSS People Solutions for agency staff fees. At 31 March 2020 the outstanding balance owed was £0.2m.

Light Blue Fibre Ltd

Light Blue Fibre is a joint venture with the University of Cambridge, set up in Summer 2019 to enhance local digital infrastructure and explore opportunities to secure a commercial return from the digital infrastructure assets held by the Council. The Council has a 50% shareholding in the company.

The company has only just begun operations, the number of transactions occurring up to 31 March 2020 was small (trivial) and the Council cannot exercise control over the company management or board of directors. On this basis, the Council does not consider it is necessary to include Light Blue Fibre Ltd within its group accounts this year.

40. CONTINGENT LIABILITIES

The Council is involved in a number of legal claims and actions. Only some of these claims and actions are expected to lead to any liabilities or losses being incurred by the Council.

The likely liability and loss to the Council arising from legal claims and actions is determined on an actuarial basis, based on prior years' experience and details of known claims and actions. Appropriate amounts are set aside within the Insurance Reserve to cover the assessed likely cost of such matters over the year in which they are likely to be settled. Provision is made in the Balance Sheet for those claims and actions where the Council can reasonably foresee that liabilities or losses will be incurred.

The assessment of the likely liability and loss to the Council necessarily involves assumptions as to the likely outcome of claims and actions and the nature and extent of events which may have occurred at the Balance Sheet date, but of which the Council is not yet aware. Accordingly, the actual liabilities arising from events that have occurred prior to the Balance Sheet date could exceed or be less than the amount that has been set aside to cover such matters.

Guided Busway

The Council is currently in dispute with the contractor (BAM Nuttall) that delivered the Guided Busway capital scheme. The dispute relates to the rectification of defects that have already been identified within the infrastructure and the likelihood of further defects that could arise in the future. It is not practicable, at this point, to estimate with any degree of certainty the potential liability that may be incurred by the Council in the eventuality that legal action arises as a result of this dispute. The issues involved in this matter are complex and negotiations with the contractor are ongoing. As a result no amounts have been included in the accounts to cover the potential liabilities associated with this action.

41. HERITAGE ASSETS: Further Information on the Council's Collections

Cambridgeshire Archives

The archives collections held by Cambridgeshire Archives include original historical documents relating to the area covered by the modern county of Cambridgeshire. The purpose of preserving these records is so that members of the public may consult them, which is allowed within supervised reading rooms.

A catalogue of the collection is available publically through the internet and contains details of at least 460,000 items. There are many thousands of other historical documents which are still to be catalogued.

Governance

The authority to hold Public Records comes from The National Archives, which regularly inspects the Archives service to ensure that working practices and policies are maintained.

Major stakeholders, including the owners of some large collections, are represented on the County Advisory Group for Archives and Local Studies (CAGALS). This Group meets three times a year to oversee the management and direction of the archives service and to give its advice where necessary.

Storage and preservation

The archival collections are held in secure, environmentally controlled and monitored strong rooms at Ely and Huntingdon that both meet standard PD5454. The archives which used to be held in the basement of Shire Hall are now held at the new Cambridgeshire Archives building in Ely which opened in 2019. Huntingdonshire Archives is based at Huntingdon Library, opened in 2009.

Cambridgeshire Archives has a conservation studio in which damaged or very fragile documents are repaired. The service also operates a digitisation and photography unit which takes high quality digital images of selected historical documents. The creation of these images reduces the need for the originals to be consulted, thereby assisting in their preservation.

Status of acquisitions

Cambridgeshire Archives holds an estimated 900 cubic metres of archives at Ely and 190 cubic metres at Huntingdon.

The majority of acquisitions are made by long-term or permanent deposit; the service does not own them, but there is an expectation that the owners will not request the documents' return. A minority of acquisitions are made by purchase or donation or by transfer from the Cambridgeshire County Council department which has created them. All assets are deemed to be kept permanently, irrespective of their status as deposit, transfer, donation or purchase.

No market valuations are made at time of accession, as the Council does not consider that reliable valuation information can be obtained given the lack of any comparable market values. The vast majority of other historical documents of comparable scope and importance are already held by other county record offices and therefore do not appear on the market. The only recent acquisitions for which the service has definite valuations are those which have been acquired through purchase, or occasionally through donation where a third party has paid for the cost of purchase.

The Archives were valued by Bonhams, the international auction house and valuers, in 2020, the first such comprehensive valuation carried out since 2008. The documents that are held at the new archives centre in Ely were collectively valued at £14.7 million (2008 valuation: £14.5 million), while the ones held in the archives store at Huntingdon were valued at £4.3 million (2008 valuation: £4.1 million).

Local Studies

The Council also holds Local Studies collections in Libraries. Whereas the archives service preserves historical documents, the Local Studies team preserves printed and published material (some of which can still be very old). About 290 cubic metres of local studies materials are held at the Cambridgeshire Collection in Cambridge Central Library.

Cambridgeshire County Council

Archaeology and Monuments

The archaeology collection principally consists of around 11,000 boxes of material excavated in the county since 1992, with partial coverage from before that date. These archives are transferred to the council's ownership at time of deposition. The contents of these archives date from all periods of human activity from the late lower Palaeolithic to present day.

Notable highlights of the collection include assemblages from the earliest origins of the county's cities and towns, including Cambridge, Ely and Huntingdon. We also store c.1500 human skeletons (all older than 100 years) from several important cemetery excavations, along with associated grave goods in many instances.

As set out in the summary of significant accounting policies, the Council does not consider that reliable cost or valuation information can be obtained for these items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. The value of these assets lies in their research and outreach use.

The majority of the archaeology collection has been relocated to Deepstore, Winsford, in Cheshire, as it is considered a more suitable and effective storage environment. Access is permitted to scholars and others for research purposes on request. Conservation, retention, preservation and use strategies of the archaeology collections are the responsibility of the Council's Historic Environment Team. This team also arranges safe storage of the collection, and maintains the publically accessible Cambridgeshire Historic Environment Record, which records 19,000 monuments, events and finds within the County.

The cost of preservation of archaeological assets held in store is £22,000 per annum.

The Council has identified certain significant scheduled monuments or listed buildings which are preserved to support future knowledge and culture. Where the primary use of the wider site is for farming no reclassification to heritage asset status has been made. This is the case in 5 instances: Devil's Ditch, Stonea Camp, Worts Meadow, Giant's Hill and Car Dyke.

Similarly, the Council has considered Cambridge Castle and Civil War Defences, which have historical value but are primarily held as a component of otherwise operational sites.

Other Supporting Notes

The Council considers that Gransden Mill and Ramsey Ice House meet the definition of a community asset, although they also contribute to the preservation of culture. However, Gransden Mill is currently actually held as a surplus asset as the Council is looking to transfer it to a local community group.

Art Collection

The art collection consists of 50 paintings, prints, drawings and photographs. The primary use of the collection is by Cambridgeshire schools to support and enrich the curriculum. Requests for works can be made by schools through the Council's website. The average insurance valuation per work is £300. Administration of the collection is undertaken by Council staff within Children's Services.

Civic regalia

There are chains of office attached to the positions of Chairman and Vice-Chairman of the Council, and their respective consorts, which are worn in the conduct of official duties. There are a number of other sundry items which decorate the ceremonial areas of Shire Hall. The financial value of these items is not known.

GROUP ACCOUNTS

FOREWORD

Cambridgeshire County Council established a wholly owned housing company in order to derive a financial return, which was incorporated on 17 June 2016. The underlying objective of creating a commercial vehicle of this nature is to provide new revenue sources to support the delivery of front line services to Cambridgeshire residents. From 14 February 2018, the company was renamed 'This Land'. Previously, the company was known as Cambridgeshire Housing & Investment Company but has now rebranded and changed its name at Companies House.

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

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

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

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

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018-19 Gross Expenditure £000	2018-19 Gross Income £000	2018-19 Net Expenditure/ Income (-) £000		2019-20 Gross Expenditure £000	2019-20 Gross Income £000	2019-20 Net Expenditure/ Income (-) £000
109,484	-29,915	**79,569**	Place and Economy	105,577	-37,414	**68,163**
699,078	-402,004	**297,074**	People and Communities	834,426	-407,351	**427,075**
26,555	-26,023	**532**	Public Health	27,659	-27,380	**279**
27,663	-7,315	**20,348**	Corporate Services & LGSS Managed	28,889	-5,682	**23,207**
27,924	-16,106	**11,818**	Commercial & Investments	35,760	-12,385	**23,375**
21,043	-9,565	**11,478**	LGSS Operational	17,392	-7,621	**9,771**
911,747	**-490,928**	**420,819**	**Cost Of Services**	**1,049,703**	**-497,833**	**551,870**
391	-16,009	**-15,618**	Other operating expenditure	36,028	0	**36,028**
49,284	-8,580	**40,704**	Financing and investment income/ expenditure	59,907	-14,487	**45,420**
0	-451,314	**-451,314**	Taxation and Non-Specific Grant Income	0	-467,736	**-467,736**
		-5,409	**Surplus (-) or Deficit on Provision of Services**			**165,582**
		-103,665	Surplus on revaluation of Property, Plant and Equipment			**-116,721**
		52,161	Impairment and revaluation losses charged to the Revaluation Reserve			**156,916**
		0	Surplus (-) or deficit (+) on financial assets measured at fair value through other comprehensive income			**768**
		85,952	Re-measurement of net pension benefit/ liability			**-159,751**
		34,448	**Other Comprehensive Income and Expenditure**			**-118,788**
		29,039	**Total Comprehensive Income (-) and Expenditure**			**46,794**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 26)

GROUP BALANCE SHEET

31-Mar-19 £000		31-Mar-20 £000
1,877,838	Property, Plant and Equipment	1,759,693
18,660	Heritage Assets	19,010
43,466	Investment Property	143,234
8,298	Intangible Assets	13,905
10,723	Long Term Investments	13,641
34,320	Long Term Debtors	32,284
1,993,305	**Long Term Assets**	**1,981,767**
325	Short Term Investments	410
3,232	Assets Held for Sale	745
85,781	Inventories/WIP	79,997
117,717	Short Term Debtors	88,846
23,626	Cash and Cash Equivalents	51,660
230,681	**Current Assets**	**221,658**

GROUP BALANCE SHEET CONTINUED

31-Mar-19 £000		31-Mar-20 £000
-170,871	Short Term Borrowing	-34,694
-111,425	Short Term Creditors	-121,130
-2,455	Provisions	-2,317
-3,005	Capital Grants and Contributions Receipts in Advance	-146
-287,756	**Current Liabilities**	**-158,287**
-6,184	Provisions	-6,670
-430,687	Long Term Borrowing	-733,173
-725,827	Other Long Term Liabilities	-598,506
-52,052	Capital Grants and Contributions Receipts in Advance	-32,102
-1,214,750	**Long Term Liabilities**	**-1,370,451**
721,480	**Net Assets**	**674,687**
119,257	Usable Reserves	117,527
602,223	Unusable Reserves	557,158
721,480	**Total Reserves**	**674,685**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 27)

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund * £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Usable Reserves Total £000	Unusable Reserves Total £000	Reserves Total £000
Balance at 1-Apr-18	**78,642**	**0**	**50,061**	**128,703**	**621,816**	**750,519**
Movement in 2018-19						
Total comprehensive income and expenditure	5,409	0	0	5,409	-34,448	-29,039
Adjustments between accounting and funding basis under regulations	-12,437	20,415	-22,833	-14,855	14,855	0
Increase (+) or decrease (-) in 2018-19	-7,028	20,415	-22,833	-9,446	-19,593	-29,039
Balance at 31-Mar-19	**71,614**	**20,415**	**27,228**	**119,257**	**602,223**	**721,480**
Movement in 2019-20						
Total comprehensive income and expenditure	-165,582	0	0	-165,582	118,788	-46,794
Adjustments between accounting and funding basis under regulations	164,242	-8,783	8,395	163,854	-163,854	0
Increase (+) or decrease (-) in 2019-20	**-1,340**	**-8,783**	**8,395**	**-1,728**	**-45,066**	**-46,794**
Balance at 31-Mar-20	**70,274**	**11,632**	**35,623**	**117,529**	**557,157**	**674,686**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 27).

Cambridgeshire County Council

GROUP CASH FLOW STATEMENT

2018-19 £000		2019-20 £000
-5,409	**Net surplus (-) or deficit (+) on the provision of services**	**165,582**
-38,554	Depreciation	-39,567
-4,645	Impairment and downward valuations	-99,984
-1,690	Amortisation	-1,396
13,650	Increase (-)/ decrease in creditors	-19,296
1,864	Increase/ decrease (-) in debtors	-21,705
84,921	Increase/ decrease (-) in inventories	-2,324
-20,047	Movement in pension liability (difference between employer's contributions paid and IAS19 adjustments)	-38,259
-49,383	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-49,152
-3,572	Other non-cash items charged to the deficit on the provision of services	-11,791
-17,456	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-283,474**
7,217	Proceeds from short-term and long-term investments	0
65,392	Proceeds from the sale of property, plant and equipment	13,531
87,005	Grants for financing capital expenditure	71,373
-49,419	Any other items for which the cash effects are investing or financing activities	-3,750
110,195	**Adjustments for items included in the deficit on the provision of services that are investing and financing activities**	**81,154**
87,330	**Net cash flows from Operating Activities**	**-36,738**

GROUP CASH FLOW CONTINUED

2018-19 £000		2019-20 £000
163,685	Purchase of property, plant and equipment	216,207
10,323	Purchase of short-term and long-term investments	113,595
19,813	Other payments for investing activities	2,085
-7,217	Proceeds from short-term and long-term investments	-110,000
-65,319	Proceeds from the sale of property, plant and equipment	-13,547
-87,745	Capital Grants Received	-48,433
-6,887	Other receipts from investing activities	-8,190
26,653	**Investing Activities**	**151,717**
-253,000	Cash receipts of short and long-term borrowing	-438,997
4,253	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts (Principal)	4,643
146,307	Repayments of short and long-term borrowing	273,327
30,969	Other payments for financing activities	18,014
-71,471	**Financing Activities**	**-143,013**
42,512	**Net increase (-) or decrease (+) in cash and cash equivalents**	**-28,034**
66,138	Cash and cash equivalents at the beginning of the reporting year	23,626
23,626	**Cash and cash equivalents at the end of the reporting year**	**51,660**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 27).

NOTES TO THE GROUP ACCOUNTS

1. GROUP BOUNDARY

This Land Limited was incorporated on 17 June 2016 (as Cambridgeshire Housing and Investment Company Limited).

Cambridgeshire County Council owns 100% of the share capital of This Land Limited, the parent of a group of 100% owned subsidiary companies. This Land Limited is a subsidiary for accounting purposes, and have been consolidated into the Council's group accounts.

None of the other Trading Companies in which the Council has an interest are considered material enough to merit consolidation into the Council's Group Accounts. Details of these can be seen within the Related Parties note in the Council's single entity accounts (Note 39).

2. BASIS OF CONSOLIDATION

The financial statements of This Land Limited have been consolidated with those of the Council on a line by line basis; which has eliminated balances, transactions, income and expenses between the Council and the subsidiary. The financial year for This Land Limited ends on 31st December; the following documents have been used in the consolidation for the period 1 April 2019 to 31 March 2020:

- This Land Limited consolidated Financial Statements for the period ended 31 December 2019 (apportioned for 9 months);
- This Land Limited consolidated management accounts for the period 1 January 2020 to 31 March 2020.

3. BUSINESS ACTIVITIES OF THE SUBSIDIARIES

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

4. ACCOUNTING POLICIES

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

- **Deferred taxation**

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

5. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Group's expenditure and income is analysed as follows:

2018/19 £000		2019/20 £000
	Expenditure	
301,406	Employee Benefits Expenses	315,701
509,936	Other Services Expenses	593,060
0	Support Service Recharges	0
101,473	Depreciation,amortisation, impairment	147,036
44,456	Interest Payments	53,813
391	Precepts and Levies	407
0	Loss on the disposal of assets	35,621
957,662	**Total Expenditure**	**1,145,638**
	Income	
-99,106	Fees, charges and other service income	-99,618
-16,010	Gain on the disposal of assets	0
-8,580	Interest and Investment Income	-14,487
-348,214	Income from Council Tax and Non-domestic rates	-366,079
-494,921	Government Grants and Contributions	-499,873
-966,831	**Total Income**	**-980,057**
-9,169	**Surplus (-) or Deficit (+) on the Provision of Services**	**165,581**

6. LONG-TERM DEBTORS

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

2018-19 £000		2019-20 £000
21,588	Long term finance lease receivable	21,587
12,732	Other	10,697
34,320	**Total**	**32,284**

7. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£000	£000	£000	£000
Investments:				
Financial assets through other comprehensive income	400	13,146	0	0
Financial assets at amortised cost	10,323	495	325	410
Total investments	**10,723**	**13,641**	**325**	**410**
Cash and cash equivalents:				
Cash and cash equivalents	0	0	23,626	51,660
Total cash and cash equivalents	**0**	**0**	**23,626**	**51,660**
Debtors:				
Financial assets at amortised cost	34,320	32,284	108,027	78,449
Total debtors	**34,320**	**32,284**	**108,027**	**78,449**
Borrowings:				
Financial liabilities at amortised cost	-430,687	-733,173	-170,871	-34,694
Total borrowings	**-430,687**	**-733,173**	**-170,871**	**-34,694**
Other liabilities:				
Other liabilities	-112,720	-106,891	-94,678	-95,405
Total other liabilities	**-112,720**	**-106,891**	**-94,678**	**-95,405**

8. CASH AND CASH EQUIVALENTS

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

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

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

31-Mar-19 £000		31-Mar-20 £000
4,310	Cash	12,536
19,316	Cash equivalents	39,124
23,626	**Total Cash and Cash Equivalents**	**51,660**

Cambridgeshire County Council

PENSION FUND ACCOUNTS

FUND ACCOUNT

31-Mar-19 £000		Notes	31-Mar-20 £000
	Dealings with members, employers and others directly involved in the fund:		
124,572	Contributions	7	126,471
4,882	Transfers in from other pension funds	8	6,704
129,454			**133,175**
(106,259)	Benefits	9	(107,863)
(11,171)	Payments to and on account of leavers	10	(10,119)
(117,430)			**(117,982)**
12,024	**Net additions/(withdrawals) from dealing with members**		**15,193**
(16,889)	Management Expenses	11	(19,004)
(4,865)	**Net additions/(withdrawals) including fund management expenses**		**(3,811)**
	Returns on investments:		
45,493	Investment income	13	34,447
(85)	Taxes on income		(2)
182,745	Profit and (losses) on disposal of investments and changes in the value of investments	14a, 17b	(225,559)
228,153	**Net return on investments**		**(191,114)**
223,288	**Net increase/(decrease) in the net assets available for benefits during the year**		**(194,925)**
2,969,306	Opening net assets of the scheme		3,192,594
3,192,594	**Closing net assets of the scheme**		**2,997,669**

Notes on pages 157 to 209 form part of the financial statements.

NET ASSET STATEMENT

31-Mar-19 £000		Notes	31-Mar-20 £000
3,177,716	Investment assets		3,081,595
(345)	Investment liabilities		(101,964)
3,177,371	**Total net investments**	14	**2,979,631**
18,068	Current assets	21	27,209
(3,477)	Current liabilities	22	(9,171)
14,591	**Net Current Assets**		**18,038**
632	Non-current assets		-
3,192,594	**Net assets of the Fund available to fund benefits at the end of the reporting period**	17a	**2,997,669**

Notes on pages 153 to 205 form part of the financial statements.

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

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Cambridgeshire County Council

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1. DESCRIPTION OF THE FUND

The Cambridgeshire County Council Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Cambridgeshire County Council. The County Council is the reporting entity for this Pension Fund. The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report 2019-20 and the underlying statutory powers underpinning the scheme.

General

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

- the LGPS Regulations 2013 (as amended);
- the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the LGPS (Management and Investment of Funds) Regulations 2016.

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

Membership

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

- Scheduled Bodies - local authorities and similar bodies whose staff are automatically entitled to be members of the Fund;
- Admitted Bodies - other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

As at 31 March 2020 there are 197 (2019: 254) active employers within the Cambridgeshire Pension Fund, including the County Council itself.

	31-Mar-19	31-Mar-20
Number of employers with active members	254	197

Pension Fund and Supporting Notes

The Fund has over 85,000 individual members, as detailed below:

Number of employees in scheme:		
County council	9,829	10,550
Other employers	19,147	19,872
Total	**28,976**	**30,422**
Number of Pensioners:		
County council	8,410	8,724
Other employers	10,365	10,916
Total	**18,775**	**19,640**
Deferred pensioners:		
County council	12,719	13,473
Other employers	14,940	15,986
Total	**27,659**	**29,459**
Undecided Leavers:		
County council	3,233	2,400
Other employers	4,266	3,844
Total	**7,499**	**6,244**
Total members	**82,909**	**85,765**

Funding

Benefits are funded by contributions and investment earnings. Currently the level of contribution income is sufficient to fund regular benefit payments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2020. Employers’ contributions are set as part of the triennial actuarial funding valuation. The last such valuation was at 31 March 2019. Employers’ contributions comprise a percentage rate on active payroll between 5.7% and 31.7% and deficit payments of fixed cash amounts set for each employer as part of the triennial funding valuation.

Benefits

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

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

Career Average Revalued Earnings (CARE)

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

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Cambridgeshire Pension Fund scheme handbook available from LGSS Pension Services based at One Angel Square, Angel Street, Northampton NN1 1ED. The Full Guide can also be found in the member section on the Pension's Fund website.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2. of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019-20.

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

The Funding Level as per the recent triennial valuation exercise (March 2019) was 99.7%. The Funding Level as March 2020 was 89.6% which has been calculated with all the market volatility which occurred in March included.

The investment return target as per the Funding Valuation Statement is 4.1%. The quarterly investment return for June 2020 was 11.4% and the Fund value had increased to £3.238 billion, meaning the funding level had increased to 90.6%.

There are 460 individual active employers as at March 2020. All employers are paying their contributions as per the rates and adjustment certificate. No employer has asked to defer their payments.

The Pension Fund has an allocation of 61.2% to equities and 11.4% to Bonds, with £99 million in cash, which are all assets that could be liquidated quickly to pay benefits should the need arise.

The Pension Fund is satisfied that it is sufficiently liquid to conclude that it is a going concern, since the value of pension fund assets that can be liquidated at short notice if needed is £186.5 million which significantly exceeds the annual expenditure of the fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

Contribution Income

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

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

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

Transfers to and from Other Schemes

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

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

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

Investment Income

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

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

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

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

Stock lending

Stock lending income is recognised in the Fund Account as it accrues. Stock lending income represents the transfer of securities by the Pension Fund to an approved counterparty ("Borrower"), against a receipt of collateral (non-cash), for a fee, subject to the obligation by that same counterparty to redeliver the same or similar securities back to the Lender at a future date. Securities on loan remain assets of the Fund and are recorded in the net assets statement at fair value.

Fund Account – Expense Items

Benefits Payable

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

Taxation

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

Management Expenses

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

Administrative Expenses

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

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis.

All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with Council policy.

Investment Management Expenses

Investment Management expenses are accounted for on an accruals basis.

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

Where an Investment Manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2019-20, £406k of fees are based upon such estimates (2018-19: £1.6m). In addition, manager fees deducted from pooled funds of £10.6m (2018-19: £7.2m) are estimated based upon information received from fund managers.

The cost of obtaining investment advice from external consultants is charged direct to the Fund. All staff costs associated with investment activity are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged to the Fund.

Net Assets Statement

Financial Assets

Financial assets are included in the Net Assets Statement on a fair value basis, except for assets held at amortised cost.

Assets held at amortised cost include contributions owing from employers and cash deposits. These are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

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

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

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

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

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

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

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Note 20).

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

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

Contingent Assets and Liabilities

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

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

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

Accounting Standards Issued, not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019 – 2020 requires the disclosure of information relating to the expected impact of changes that will be required by a new standard that has been introduced but not yet adopted. There are no such standards which would materially impact the Fund.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

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

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

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

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

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

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

The items in the Financial Statements as 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rates at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. An independent firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied. The actuary has included the McCloud judgement within their calculation shown in Note 20.

- **Effect if Actual Results Differ from Assumptions:**

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £443 million. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £33 million, and a 1 year increase in assumed life expectancy would increase the liability by approximately 3-5%. Although the example above is based on an increase, a decrease to discount rate and assumed life expectancy could also occur.

Cambridge and Counties Bank

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

Effect if actual results differ from assumptions: The investment in the financial statements is £58m. There is a risk that this investment may be under or overstated in the accounts. As set out in the independent, professional valuation report, the valuation of the Cambridge and Counties Bank is in the range of £56.6m to £59.4m. The mid-point of this valuation range has been applied within the Fund's accounts.

Other Private Equity and Infrastructure

Uncertainties: All other private equity and infrastructure investments are valued at fair value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. There is a higher level of uncertainty for Private Equity as a result of the Covid-19 pandemic. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond. See Note 16a.

Effect if actual results differ from assumptions: Total private equity and infrastructure investments (excluding Cambridge and Counties Bank – see above) at fair value in the financial statements are £442.8m. There is a risk that this investment may be under or overstated in the accounts. Note 18 gives a price sensitivity of Alternative investments of 23.2%, which indicates that other private equity and infrastructure values may range from £545.7m to £340.1m.

Pooled Property Fund

The outbreak of COVID-19, declared as a Global Pandemic on 11 March 2020 by the World Health Organization, has severely impacted global financial markets. This has triggered a period of 'material valuation uncertainty' as per the RICS Red Book Global Edition and consequently a higher degree of caution should be attached to valuations supporting the unit price of the pooled property fund.

At this time it is not possible to accurately predict the scale of the impact of COVID-19 on the economy and as a result the 2019 - 2020 Pooled Property valuations have been based on information prior to the outbreak, on the assumption that the values will be restored once property markets recover.

6. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, there has been a recovery in the markets following the Covid-19 pandemic however there is continuing volatility in the market. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

7. CONTRIBUTIONS RECEIVABLE

By Category:

31-Mar-19 £000		31-Mar-20 £000
26,427	**Employees' contributions**	**27,710**
	Employers' contributions:	
84,341	Normal contributions	86,404
13,804	Deficit recovery contributions	12,357
98,145	**Total employers' contributions**	**98,761**
124,572		**126,471**

By Authority:

31-Mar-19 £000		31-Mar-20 £000
27,027	Administering Authority	27,237
91,122	Scheduled Bodies	92,321
6,423	Admitted Bodies	6,913
124,572		**126,471**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31-Mar-19 £000		31-Mar-20 £000
4,882	Individual transfers	6,704
-	Group transfers	-
4,882		**6,704**

9. BENEFITS PAYABLE

By category:

31-Mar-19 £000		31-Mar-20 £000
84,204	Pensions	88,520
19,244	Commutation and lump sum retirement benefits	16,162
2,811	Lump sum death benefits	3,181
106,259		**107,863**

By authority:

31-Mar-19 £000		31-Mar-20 £000
36,750	Administering Authority	35,395
60,117	Scheduled Bodies	63,221
9,392	Admitted Bodies	9,247
106,259		**107,863**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31-Mar-19 £000		31-Mar-20 £000
400	Refunds to members leaving service	248
4,732	Group transfers	-
6,039	Individual transfers	9,871
11,171		**10,119**

11. MANAGEMENT EXPENSES

31-Mar-19 £000		31-Mar-20 £000
2,218	Administrative costs	3,415
14,544	Investment management expenses	14,673
327	Oversight and governance costs*	916
17,089		**19,004**

*Fees payable to External Auditors, included within Oversight and Governance costs were £17k during the year (2018-19 £17k).

12. INVESTMENT MANAGEMENT EXPENSES

31-Mar-19 £000		31-Mar-20 £000
11,904	Management fees	12,199
1,068	Performance related fees	1,175
606	Transaction costs	456
966	Other costs	843
14,544		**14,673**

13. INVESTMENT INCOME

31-Mar-19 £000		31-Mar-20 £000
424	268	494
18,775	Income from equities	14,865
14,461	Pooled investments – unit trusts and other managed funds	4,807
7,277	Pooled Property Investments	8,000
4,001	Private equity/infrastructure income	5,649
360	Interest on cash deposits	561
195	Other – securities lending income	71
45,493		**34,447**

14. INVESTMENTS

31-Mar-19 £000		31-Mar-20 £000
	Investment assets	
79,206	Bonds	155,686
377,322	Equities	1
2,086,961	Pooled investments	2,029,182
236,858	Pooled property investments*	225,063
363,874	Private equity/infrastructure	500,810
27,593	Cash deposits	31,585
-	Derivatives Contracts: Options	138,546
3,992	Investment income due	722
1,910	Amounts receivable for sales	-
3,177,716	**Total investment assets**	**3,081,595**
	Investment liabilities	
-	Derivatives Contracts: Options	(101,964)
(345)	Amounts payable for purchases	-
(345)	**Total investment liabilities**	**(101,964)**
3,177,371	**Net investment assets**	**2,979,631**

*In relation to Pooled Property, the outbreak of COVID-19, declared as a Global Pandemic on 11 March 2020 by the World Health Organisation, has severely impacted global financial markets. This has triggered a period of 'material valuation uncertainty' as per the RICS Red Book Global Edition and consequently a higher degree of caution should be attached to valuations (As set out in Note 5) which underpin the unit price of this pooled property fund.

14(a) RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-19	Purchases during the year and derivative payments*	Sales during the year and derivative receipts*	Change in market value during the year	Market value 31-Mar-20
	£000	£000	£000	£000	£000
Bonds	79,206	76,002	(1,127)	1,605	**155,686**
Equities	377,322	589,073	(928,370)	(38,024)	**1**
Pooled investments	2,086,961	521,533	(353,894)	(225,418)	**2,029,182**
Pooled property investments	236,858	11,362	(16,219)	(6,938)	**225,063**
Private equity/infrastructure	363,874	175,160	(43,927)	5,703	**500,810**
	3,144,221	**1,373,130**	**(1,343,537)**	**(263,072)**	**2,910,742**
Derivative contracts:					
• Forward Currency Contracts	-	3,846	(316)	(3,530)	-
• Purchased/written options	-	-	-	36,582	**36,582**
	3,144,221	**1,376,976**	**(1,343,853)**	**(230,020)**	**2,947,324**
Other investment balances:*					
· Cash deposits	27,593			4,301	**31,585**
· Investment income due	3,992			-	**722**
· Amount receivable for sales	1,910			-	-
· Spot FX contracts	-			160	-
· Amounts payable for purchases of investments	(345)			-	-
Net investment assets*	**3,177,371**			**(225,559)**	**2,979,631**

* Other investment balances and Net investment assets do not add across as purchases, sales and other movements (£0.8m) are not disclosed here, in accordance with CIPFA guidance

	Market value 01-Apr-18 £000	Purchases during the year and derivative payments* £000	Sales during the year and derivative receipts* £000	Change in market value during the year £000	Market value 31-Mar-19 £000
Bonds	**74,578**	702	-	3,926	**79,206**
Equities	**371,765**	66,282	(63,531)	2,806	**377,322**
Pooled investments	**1,953,899**	1,310,227	(1,316,014)	138,849	**2,086,961**
Pooled property investments	**206,671**	45,324	(21,495)	6,358	**236,858**
Private equity/infrastructure	**274,393**	95,027	(35,645)	30,099	**363,874**
	2,881,306	**1,517,562**	**(1,436,685)**	**182,038**	**3,144,221**
Derivative contracts:					
• Forward Currency Contracts	-	6	(15)	9	**-**
	2,881,306	**1,517,568**	**(1,436,700)**	**182,047**	**3,144,221**
Other investment balances:*					
· Cash deposits	31,191			723	**27,593**
· Investment income due	3,535			-	**3,992**
· Amount receivable for sales	-			-	**1,910**
· Spot FX contracts	-			(25)	**-**
· Amounts payable for purchases of investments	-			-	(345)
Net investment assets*	**2,916,032**			**182,745**	**3,177,371**

* Other Investment balances and Net investment assets do not add across as purchases, sales and other movements (£1.6m) are not disclosed here, in accordance with CIPFA guidance.

14(b). ANALYSIS OF INVESTMENTS

31-Mar-19 £000		31-Mar-20 £000
	Bonds	
79,206	**UK** - Public sector quoted	155,686
79,206		**155,686**
	Equities	
357,667	**UK -** Quoted	1
19,655	**Overseas -** Quoted	-
377,322		**1**
	Pooled funds – additional analysis	
70,173	**UK -** Fixed income	-
70,343	**UK -** Equity	73,090
226,543	**Overseas -** Fixed income	203,953
1,718,324	**Overseas -** Equity	1,749,717
1,578	**Overseas -** Cash Fund	2,422
2,086,961		**2,029,182**
236,858	Pooled property investments	225,063
363,874	Private equity/ infrastructure	500,810
600,732		**725,873**
27,593	Cash deposits	31,585
3,992	Investment income due	722
-	Derivative assets	138,546
1,910	Amounts receivable from sales	-
33,495		**170,853**
3,177,716	**Total investment assets**	**3,081,595**
	Investment liabilities	
(345)	Amounts payable for purchases	-
-	Derivative liabilities	(101,964)
(345)	**Total investment liabilities**	(101,964)
3,177,371	**Net investment assets**	**2,979,631**

14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-19 £000	31-Mar-19 % of net investment assets		Market value 31-Mar-20 £000	31-Mar-20 % of net investment assets
Investments managed under Pool Governance:				
498,776	15.7	Link Fund Solutions	969,299	32.5
765,050	24.1	UBS Global Asset Management	853,507	28.6
1,263,826	**39.8**	**Total Investments managed under Pool Governance**	**1,822,806**	**61.1**
Investments managed outside Pool Governance:				
80,458	2.5	Adams Street Partners	86,935	2.9
12,447	0.4	Allianz Global Investors	19,193	0.6
19,209	0.6	AMP Capital	40,979	1.4
81,100	2.6	Cambridge and Counties Bank	58,000	2.0
14,913	0.5	Cambridge Building Society	15,000	0.5
33,341	1.0	Equitix Investment Management	37,172	1.2
-	-	Foresight Group	4,928	0.2
58,546	1.8	HarbourVest Partners (UK)	69,438	2.3
-	-	IFM Infrastructure	60,937	2.0
524,841	16.5	JO Hambro Capital Management	-	-
60,888	1.9	M&G Investments	55,411	1.9
9,759	0.3	M&G Real Estate	55,022	1.9
37,370	1.2	Partners Group (UK)	39,246	1.3
-	-	River and Mercantile Group	192,269	6.5
946,737	29.9	Schroders Investment Management	373,605	12.5
16,742	0.5	UBS Infrastructure	13,958	0.5
17,194	0.5	Cash with custodian	34,732	1.2
1,913,545	**60.2**	**Total Investments managed outside Pool Governance**	**1,156,825**	**38.9**
3,177,371	**100.0**	**Net investment assets**	**2,979,631**	**100.0**

All the above companies are registered in the United Kingdom.

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

Security	31-Mar-19 £000	% of total fund %	31-Mar-20 £000	% of total fund %
LF ACCESS Global Stock - Dodge and Cox	498,776	15.6	**316,598**	**10.6**
J O Hambro Capital Management LTD Global Select Fund	509,096	15.9	**-**	**-**
LF ACCESS Global Equity - J O Hambro	-	-	**386,254**	**12.9**
LF ACCESS Global Equity - Longview	-	-	**266,447**	**8.9**
UBS Asset Management Life USA Equity Tracker Hedged	-	-	**186,591**	**6.2**
	1,007,872		**1,155,890**	

14(d). STOCK LENDING

The Fund's Investment Strategy sets the parameters for the Fund's stock-lending programme. At 31 March 2020, the value of quoted equities on loan was nil (31 March 2019: £66.2m). The Fund held fewer assets available for lending at 31 March 2020, as the Fund has transitioned its segregated holdings into pooled funds in the ACCESS poolduring the year the Fund transitioned their segregated holdings into the ACCESS Pool.

15. ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

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

- **Futures**

There were no outstanding exchange traded future contracts at 31 March 2020 or 31 March 2019.

Forward foreign currency

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

There were no open forward currency contracts at 31 March 2020 or 31 March 2019. There is no specified requirement to use currency hedging within the Fund's Investment Management Agreements. Instead, the Fund managers use their discretion as to whether or not any currency hedging should be used to mitigate any potential risk.

Options

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

Investment underlying option contract	Expires	Put/Call	Notional Holdings	31-Mar-19	Notional Holdings	31-Mar-20
Assets				**£000**		**£000**
Overseas equity purchased	Over three months	Put	-	-	172,896	138,545
Total assets						**138,545**
Liabilities						
Overseas equity written	Over three months	Put	-	-	(222,053)	(98,506)
Overseas equity written	Over three months	Call	-	-	(168,826)	(3,457)
Total liabilities						(101,963)
Net purchased/written options						**36,582**

16. FAIR VALUE

16a. FAIR VALUE HIERARCHY

Valuation of Financial Instruments Carried At Fair Value

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur. The Fund has adopted the classification guidelines recommended in the Practical Guidelines on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which the Cambridgeshire Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2015, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. Due to a higher level of valuation uncertainty as a result of the COVID-19 pandemic, valuations from Private Equity and Infrastructure are taken at the end of March 2020.

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

Values at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	2,423	2,376,015	670,850	**3,049,288**
Total financial assets	**2,423**	**2,376,015**	**670,850**	**3,049,288**

Values at 31 March 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	458,106	2,163,820	522,295	**3,144,221**
Total financial assets	**458,106**	**2,163,820**	**522,295**	**3,144,221**

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the account period	Not required	Not required
Quoted bonds	Level1	Fixed interest securities valued at a market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments – not exchange traded open ended funds	Level 2	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Not required

Pooled investments – not exchange traded closed ended funds	Level 3	Closing bid and offer prices are published. Closing single price where a single price is published	NAV based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date and lack of liquidity.
Private equity and infrastructure – equity	Level 3	Comparable valuation of similar companies	Price / Earnings or EBITDA multiple	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date.
Private equity and infrastructure – other	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Share of net assets	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

Asset Type	Market Value as at 31-Mar-20 £000	Assessed valuation range (+/-)	Value on Increase £000	Value on Decrease £000
Private Equity	445,787	23.2%	549,210	342,364
Property	225,063	14.2%	257,022	193,104
Total Assets	**670,850**		**806,232**	**535,468**

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

Period 2019-20	Market value 01-Apr-19 £000	Transfers in/out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31-Mar-20 £000
Pooled property investments	168,180	68,678	11,363	(16,219)	(11,379)	4,440	225,063
Private equity and infrastructure - equity	81,100	-	-	-	(23,100)	-	58,000
Private equity and infrastructure - other	273,015	-	129,576	(43,585)	13,586	15,195	387,787
Total	**522,295**	**68,678**	**140,939**	**(59,804)**	**(20,893)**	**19,635**	**670,850**

Reclassification of Pooled property investments from Level 2 to Level 3 in agreement with the fair value techniques for property.

17. FINANCIAL INSTRUMENTS

17a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31-Mar-19 Fair value through profit and loss £000	31-Mar-19 Assets at amortised cost £000	31-Mar-19 Liabilities at amortised cost £000		31-Mar-20 Fair value through profit and loss £000	31-Mar-20 Assets at amortised cost £000	31-Mar-20 Liabilities at amortised cost £000
			Financial assets			
79,206	-	-	Bonds	155,686	-	-
377,322	-	-	Equities	1	-	-
2,086,961	-	-	Pooled investments	2,029,182	-	-
236,858	-	-	Pooled property investments	225,063	-	-
363,874	-	-	Private equity/Infrastructure	500,810	-	-
-	-	-	Derivative contracts	138,546	-	-
-	32,300	-	Cash	-	40,661	-
-	5,902	-	Other investment balances	-	722	-
-	13,993	-	Debtors	-	18,133	-
3,144,221	**52,195**	**-**		**3,049,288**	**59,516**	**-**
			Financial liabilities			
-	-	-	Derivative contracts	-	-	(101,964)
-	-	(345)	Other investment balances	-	-	-
-	-	(3,477)	Creditors	-	-	(9,171)
-	**-**	**(3,822)**		**-**	**-**	**(111,135)**
3,144,221	**52,195**	**(3,822)**		**3,049,288**	**59,516**	**(111,135)**
		3,192,594	**Total**			**2,997,669**

17b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31-Mar-19 £000		31-Mar-20 £000
	Financial assets:	
182,038	Fair value through profit and loss	(263,072)
723	Amortised cost – realised gains on de-recognition of assets	4,461
	Financial liabilities:	
9	Fair value through profit and loss	33,052
(25)	Amortised cost – realised losses on de-recognition of assets	-
-	Amortised cost – unrealised losses	-
182,745	**Total gains/(losses)**	**(225,559)**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

a) Market risk

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

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

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

The Fund manages these risks in two ways:

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

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

Subsequent to year end, there has been a recovery in the markets following the Covid-19 pandemic however there is continuing volatility in the market. The Fund is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond.

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.
The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisers, the Council has determined that the following movements in market price risk would have reasonably been possible for the 2019-20 reporting period.

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

Asset Type	Potential Market Movement +/- (%p.a.)
UK equities	27.5%
Overseas equities	28.0%
Global pooled equities	28.0%
Index Linked Bonds	7.4%
Pooled fixed interest bonds	9.8%
Property	14.2%
Alternatives	23.2%
Cash and Other investment balances	0.3%

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

31-Mar-20 Asset Type	Value as at 31-Mar-20 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**73,091**	27.5%	93,191	52,991
Global pooled equities	**1,749,717**	28.0%	2,239,637	1,259,796
Index Linked Bonds	**155,686**	7.4%	167,207	144,165
Pooled fixed interest bonds	**203,953**	9.8%	223,941	183,966
Property	**225,063**	14.2%	257,022	193,104
Alternatives	**500,810**	23.2%	616,998	384,622
Cash and Other investment balances	**71,311**	0.3%	71,525	71,097
Total Assets	**2,979,631**		**3,669,521**	**2,289,741**

31-Mar-19 Asset Type	Value as at 31-Mar-19 £000	% (rounded) Change	Value on Increase £000	Value on Decrease £000
UK equities	**428,009**	16.6%	499,059	356,960
Overseas equities	**19,655**	16.9%	22,976	16,333
Global pooled equities	**1,718,325**	16.9%	2,008,721	1,427,928
Index Linked Bonds	**79,206**	9.2%	86,493	71,919
Pooled fixed interest bonds	**296,716**	10.5%	327,871	265,561
Property	**236,858**	14.3%	270,728	202,978
Alternatives	**363,874**	24.7%	453,657	274,092
Cash and Other investment balances	**34,728**	0.5%	34,902	34,555
Total Assets	**3,177,371**		**3,704,407**	**2,650,326**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment consultant in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31-Mar-19 £000	Asset Type	31-Mar-20 £000
27,593	Cash and cash equivalents	31,585
4,707	Cash balances	9,076
79,206	Index-linked securities	155,686
296,716	Fixed interest securities	203,953
408,222	**Total**	400,300

Interest rate risk sensitivity analysis

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

Exposure to interest rate risk	Asset values at 31-Mar-20 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**31,585**	31,585	31,585
Cash balances	**9,076**	9,076	9,076
Index-linked securities	**155,686**	157,243	154,129
Fixed interest securities	**203,953**	205,993	201,913
Total change in assets available	**400,300**	**403,897**	**396,703**

Exposure to interest rate risk	Asset values at 31-Mar-19 £000	Impact of 1% decrease £000	Impact of 1% increase £000
Cash and cash equivalents	**27,593**	27,593	27,593
Cash balances	**4,707**	4,707	4,707
Index-linked securities	**79,206**	79,998	78,414
Fixed interest securities	**296,716**	300,279	293,749
Total change in assets available	**408,222**	**412,577**	**404,463**

Exposure to interest rate risk	Interest receivable 2019-20 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**561**	567	555
Index-linked securities	**494**	499	489
Fixed interest securities	**2,026**	2,046	2,006
Total	**3,081**	**3,112**	**3,050**

Exposure to interest rate risk	Interest receivable 2018-19 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits, cash and cash equivalents	**360**	364	356
Index-linked securities	**424**	428	420
Fixed interest securities	**3,598**	3,598	3,598
Total	**4,382**	**4,390**	**4,374**

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

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data with the Fund's advisers, the Council considers the likely volatility associated with foreign exchange rate movements to be 10.0% (the 1 year expected standard deviation). A 10.0% (31 March 2019: 10.0%) fluctuation in the currency is considered reasonable based on the Fund adviser's analysis of long-term historical movements in the month-end exchange rates over a rolling 36 month period. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10.0% strengthening / weakening of the pound against the various currencies in which the fund holds investments would decrease / increase the net assets available to pay benefits as follows.

Assets exposed to currency risk	Value at 31-Mar-20 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities - Hedged	577,099	-	577,099	577,099
Overseas Equities - Unhedged	1,172,618	117,262	1,289,880	1,055,356
Overseas Fixed Income	203,953	20,395	224,348	183,558
Overseas Cash Fund	2,422	242	2,664	2,180
Total	**1,956,092**	**137,899**	**2,093,991**	**1,818,193**

Assets exposed to currency risk	Value at 31-Mar-19 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
Overseas Equities	1,737,979	173,798	1,911,777	1,564,181
Overseas Fixed Income	226,543	22,654	249,197	203,889
Overseas Cash Fund	1,578	158	1,736	1,420
Total	**1,966,100**	**196,610**	**2,162,710**	**1,769,490**

b) Credit risk

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

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over in past. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £40.6m (31 March 2019: £32.3m). This was held with the following institutions:-

	Rating	31-Mar-19 £000	31-Mar-20 £000
Money market funds			
Northern Trust Global Investors Global Cash Fund	AAAF S1+	27,427	30,835
Bank deposit account			
Barclays Bank	A	4,707	9,076
Bank current accounts			
Northern Trust custody accounts	A-1+	166	750
Total		**32,300**	**40,661**

c) Liquidity risk

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

The Fund has immediate access to its cash holdings, with the exception of holdings that are for a fixed term when the deposit is placed. The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £725.9m, which represented 24.2% of the total Fund assets (31 March 2019: £600.7m, which represented 18.8% of the total Fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2020 are due within one year.

d) Refinancing risk

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

19. FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- To ensure that employer contribution rates are as stable as possible;
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;

- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so;
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

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

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

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

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

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

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

Pension Fund and Supporting Notes

Basis of valuation

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

Financial assumptions

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

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

**CPI plus 0.3%*
***2% until March 2020 followed by CPI plus 0.5%*

Mortality assumptions

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

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

Note that the figures for active and deferred members assume that they are aged 45 at the valuation date.
Various scaling factors have been applied to the mortality tables to reflect the predicted longevity for each class of member and their dependants.

Other demographic valuation assumptions:

a) Retirements in ill health - Allowance has been made for ill-health retirements before Normal Pension Age.
b) Withdrawals - Allowance has been made for withdrawals from service.
c) Retirements in normal health - We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation.
d) Death in Service - Allowance has been made for death in service.
e) Promotional salary increases – Allowance has been made for promotional salary increases.
f) Family details - A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
g) Commutation - 25% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 64% for service from 1 April 2008).
h) 50:50 option - 1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

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

31-Mar-19 £m		31-Mar-20 £m
(4,829)	Present value of promised retirement benefits	(4,305)
3,187	Fair value of scheme assets (bid value)	2,998
(1,642)	**Net liability**	**(1,307)**

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

Note that the above figures include allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Assumptions used

31-Mar-19 % p.a.	Assumption	31-Mar-20 % p.a.
2.5	Inflation / pension increase rate assumption	1.9
2.8	Salary increase rate	2.4
2.4	Discount rate	2.3

21. CURRENT ASSETS

31-Mar-19 £000		31-Mar-20 £000
	Debtors:	
1,847	Contributions due – members	2,288
5,900	Contributions due – employers	6,018
5,614	Sundry receivables	9,827
13,361		**18,133**
4,707	Cash balances	9,076
18,068		**27,209**

22. CURRENT LIABILITIES

31-Mar-19		31-Mar-20
£000		£000
3,088	Sundry Payables	7,363
389	Benefits Payable	1,808
3,477		9,171

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-19		31-Mar-20
£000		£000
7,683	Prudential	7,653
363	Equitable Life	-
-	Utmost	361
8,046		8,014

24. AGENCY

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

31-Mar-19		31-Mar-20
£000		£000
3,625	Unfunded pensions	3,618
3,625		3,618

25. RELATED PARTY TRANSACTIONS

Cambridgeshire County Council

The Cambridgeshire County Council Pension Fund is administered by Cambridgeshire County Council. Consequently there is a strong relationship between the Council and the Fund. The Council incurred costs of £2.4m (2018-19: £2.2m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of members of the Pension Fund and contributed £21.0m, excluding Local Education Authority schools, to the Fund in 2019-20 (2018-19: £21.0m). At 31 March 2020 there was £5.7m (31 March 2019: £0.2m) due to the Fund by the Council.

Governance

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

- John Walker
- Lee Phanco

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

Cambridge and Counties Bank

The Fund is joint owner, along with Trinity Hall, Cambridge, of Cambridge and Counties Bank (CCB). As the Fund has no controlling interest in the Bank and it is included within the Fund's financial statements as a minority interest. An Officer of the Pension Fund is a Non-executive Director on the Board of CCB, for which CCB paid £52,250 during the year (2018-19 £49,688) to the Council.

25(a) KEY MANAGEMENT PERSONNEL

The administration of the Fund is provided by LGSS Pensions which is a shared service arrangement between Cambridgeshire County Council and Northamptonshire County Council. The Head of Pensions in the shared service unit reports directly to Managing Director of LGSS, whose costs are reported in the Northamptonshire County Council statement of accounts. Other key personnel include the Section 151 Officer who is Treasurer to the Fund, and the Head of HR. The Interim Managing Director of LGSS, the Section 151 Officer and the Head of HR are remunerated for their services to the organisation as a whole and it is not possible to identify within the overhead charge from LGSS the proportion of costs relating to these services to the Fund.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £318.0m (31 March 2019: £315.0m).

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

27. CONTINGENT ASSETS

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

GLOSSARY

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

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ACS
ACCESS Authorised Contractual Scheme.

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

AUM
Assets Under Management.

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

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

CIPFA
Chartered Institute of Public Finance and Accountancy

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONTRACT NOTE
The documentary record of a trade which is sent from the broker to the investor.

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

COUPON
The regular payment made on bonds.

CTI
Cost Transparency Initiative.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

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

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

DERIVATIVE
A financial instrument derived from a security, currency or commodity, or an index indicator representing any of these, the price of which will move in a direct relationship to the price of the underlying instrument. Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DIVIDEND
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARNINGS PER SHARE (EPS)
The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the ‘E’ term in the P/E ratio to value shares.

EQUITIES
Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

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

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

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

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

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

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

GMP
Guaranteed Minimum Pension.

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

HEDGE FUND
A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

IAS
International Accounting Standards

IDRP
Internal Dispute Resolution Procedures

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

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

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

ISC
Investments Sub-Committee.

LGSS
A partnership between Cambridgeshire and Northamptonshire County Councils to create a wholly owned public sector organisation to deliver professional and transactional support services.

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

LPB
Local Pension Board.

MARKET CAPITALISATION

For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

OFFER PRICE

The price at which market makers will sell stock.

ORDINARY SHARES

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

PENSIONS STRAIN

Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

PFC

Pension Fund Committee.

PLSA

Pensions and Lifetime Savings Association.

PORTFOLIO

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

RAG

Red, Amber and Green.

RELATED PARTY

A person or an organisation which has influence over another person or organisation.

RIGHTS ISSUE
A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

SAB
Scheme Advisory Board.

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

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS
An outcome as a result of taking away all expenses from income.

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

TREASURY MANAGEMENT
A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNIT TRUST

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Investment manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

WARRANTS

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

APPENDIX 1 - ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. 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 2019-20*, 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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

New acquisitions are brought into the accounts at cost within the appropriate Property, Plant and Equipment balance and are then revalued during the following year. Expenditure on construction of new assets is also brought into the accounts at cost and included either within the Infrastructure category or Assets Under Construction. For capital schemes held within Assets Under Construction, once all the assets which are created or enhanced by a capital scheme become operational, the value is transferred to the appropriate category of Property, Plant and Equipment. Assets costing less than £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 220). 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.

Appendix 1 – Accounting Policies

Measurement

The Council carries out a rolling revaluation programme that ensures that all Property, Plant and Equipment required to be measured at current value is reviewed at least every five years. In order to ensure that values are kept in line with current values, in the interim 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. The threshold value used to determine which assets are subject to a desktop valuation is reviewed each year – the aim is to set this threshold at such a level that it reduces any variances in value below a material level in order that a further indexation analysis is not required.

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 211);
- 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 226). 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.

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 on the basis of 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 on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

PRIVATE FINANCE INITIATIVE (PFI) SCHEMES

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

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

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

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

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

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

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

LEASES

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

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

Council as Lessee

Finance leases

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

As with other long-term assets, the Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue towards the deemed capital investment in accordance with statutory requirements (see the Debt Redemption policy on page 226). 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.

GLOSSARY

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

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

ACTUARIAL BASIS
Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

BALANCE SHEET
A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

BALANCES
The accumulated surplus of income over expenditure on the General Fund (see later).

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

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

BUDGET
A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over 15-20 years.

CAPITAL ADJUSTMENT ACCOUNT
An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

CAPITAL FINANCING REQUIREMENT
A notional amount of debt which determines the Minimum Revenue Provision.

CAPITAL GRANTS
Grants received towards capital spending (see next) on a particular service or project.

CAPITAL SPENDING
Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

CARRY FORWARDS
Directorates, Schools and Trading Units are permitted / required to transfer any underspending or overspending into the next financial year.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CREDITS (PFI)
A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

DERIVATIVE

A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DIVIDEND

The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARMARKED RESERVE

An earmarked reserve is money set aside for a specific purpose.

EQUITIES

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EVENTS AFTER THE BALANCE SHEET DATE

Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the Chief Finance Officer, which have a significant impact on the Council’s finances.

FINANCIAL INSTRUMENTS

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

An account to manage the imbalance between accounting rules and statutory provisions for charging amounts to the general fund. The “balancing” entry for each of the adjustments for the Financial Instruments will constitute a new reserve on the Balance Sheet called “Financial Instruments Adjustment Account”. This reserve is not a usable reserve.

FINANCIAL CONDUCT AUTHORITY (FCA)
The lead UK regulator. A designated agency which is not a government department.

FORCE MAJEURE
A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

GENERAL FUND
The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

GOVERNMENT GRANTS
Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

HERITAGE ASSETS
Assets (land, building, or artefact / exhibit) held principally for their contribution to knowledge or culture.

IMPAIRMENT
A reduction in the value of an asset from its previous value in the accounts.

INCOME
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTANGIBLE ASSETS
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

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

INVENTORIES
Goods bought but have not been used.

LGSS
A partnership between Cambridgeshire, Northamptonshire County Councils and Milton Keynes Council to create a wholly owned public sector organisation to deliver professional and transactional support services.

LONG-TERM ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to revenue in the year for the repayment of debt.

NET BOOK VALUE
The depreciated value of an asset.

PAYABLES
Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the Balance Sheet.

PENSIONS STRAIN
Charges to employers to cover discretionary early retirement costs, which are the responsibility of the employer, recovered in the first year of retirement in full.

POOLED BUDGET
A partnership where participants aggregate funds to work collaboratively to address specific issues.

PRECEPT
The cash sum levied by one Authority in relation to council tax, which is collected by another (a billing Authority). The County Council is the precepting Authority and the District Councils are the billing authorities, acting as an agent for the Council.

PRIVATE FINANCE INITIATIVE (PFI)
A form of partnership between the private and public sector which is normally used for high risk / high value contracts for delivering capital assets for the provision of public services. The private sector designs, builds and maintains infrastructure and other capital assets and then operates those assets in return for annual payments to sell services to the public sector.

PROPERTY, PLANT AND EQUIPMENT
A non-current asset or long-term asset item which cannot easily be converted into cash.

PROVISION
An amount set aside for liabilities, which are known to exist, but which cannot be definitively measured at the date of the accounts.

PRUDENTIAL BORROWING
Borrowing which is financed from the Council's own resources and conforms to the Prudential Code.

PUBLIC WORKS LOAN BOARD
A government body set up specifically to lend money to local authorities.

RECEIVABLES
Sums of money due to the Council but unpaid at the Balance Sheet date.

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

RESERVES
Amounts set aside for particular purposes but which do not conform to the definition for provisions. Movements in reserves are not part of service expenditure.

REVALUATION RESERVE
A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources. Can also be described as capital expenditure charged against the general fund balance.

REVENUE EXPENDITURE
The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS

An outcome as a result of taking away all expenses from income.

TREASURY MANAGEMENT

A process which plans, organises and controls cash, investments and borrowings so as to optimise interest and currency flows, and minimise the cost of funds.

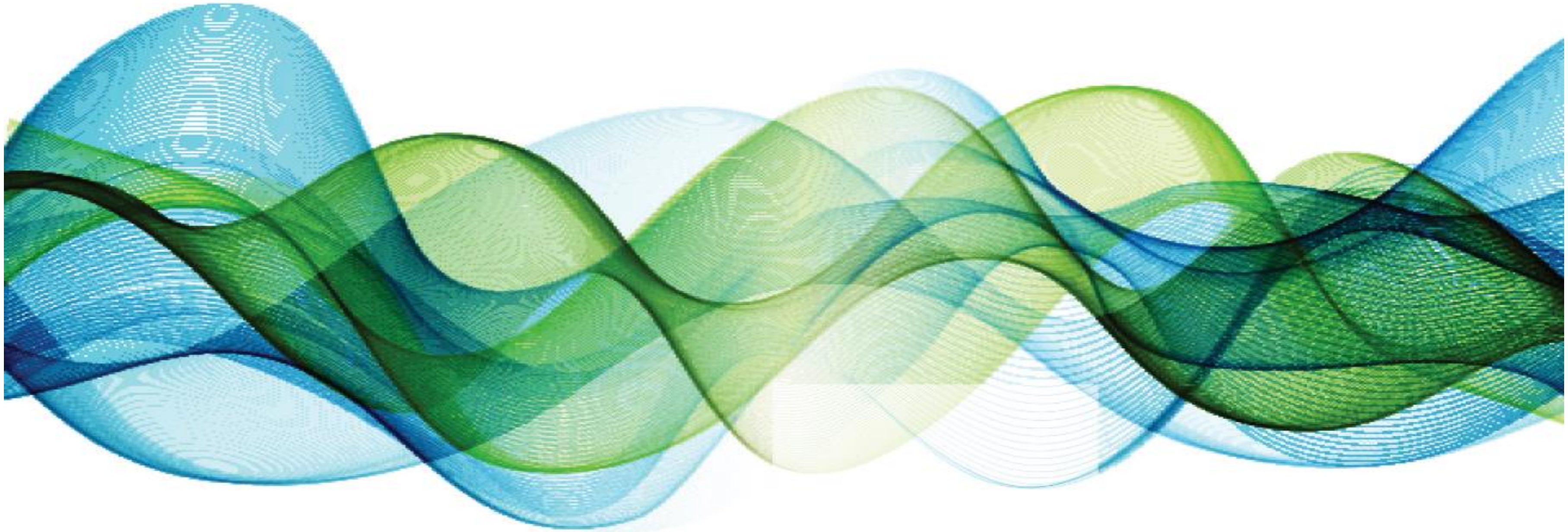
TRUST

Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNIT TRUST

An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

Cambridgeshire County Council Annual Governance Statement



Reviewed by the Audit & Accounts Committee at its next meeting on 30 July 2020

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.

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 2020 and up to the date of approval of the Annual Report and Statement of Accounts.

THE GOVERNANCE FRAMEWORK

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

- Members exercising strategic leadership by developing 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;
- The measurement of performance in achieving objectives through the mechanisms of the Council's performance management system;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- 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 setting out Schemes of Delegation to members and officers; Financial Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. Having arrangements in place to ensure these are reviewed regularly;
- An Audit and Accounts Committee which is responsible for independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers to support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

- Embedded arrangements for whistleblowing and for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;

- A 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.

- A committee-based system of governance, which provides the Council with the high standards of Governance expected of a local authority. Under the committee system of governance, decisions are made by cross-party committees, meaning that a separate scrutiny function is not necessary.

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 Chief Internal Auditor's 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 Senior Management 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 Chief Internal Auditor 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 Chief Internal Auditor. This report draws upon the outcome of audit reviews undertaken throughout 2019-20 and is informed by the comments of external auditors and inspectors. The report is designed to provide assurance on the effectiveness of internal controls.

- The completion of Self-Assurance Statements by directors.

- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

The key aspects of the review of effectiveness are:

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 Business Plan.

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

The budget preparation process was subject to robust challenge by councillors and involved extensive consultation with the people and businesses of Cambridgeshire.

ii. Performance Management

The Council presents a corporate Integrated Resources and Performance Report to councillors on a monthly basis. This is available to the public on the Council's internet site, giving them an insight into the Council's overall performance.

iii. Executive Decision Making and Scrutiny

Executive decisions are made by one of the Council's seven cross-party service committees. A process is in place to allow for executive decisions to be reviewed following request by at least 8 members of the General Purposes Committee, which must be made within 3 days of a decision being published.

iv. The Audit and Accounts Committee

The Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit and Accounts Committee met regularly during 2019-20, considering reports, including the annual Internal Audit Report, from the Chief Internal Auditor, the Council's Senior Finance Officers and the External Auditor. Additionally, the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. 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, S151 Officer, Director of Public Health, the Executive Director of People and Communities and the Service Director: Adults& Safeguarding were effectively fulfilled during 2019-20 and up to the date of this report.

vi. Management

The Council's Executive 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.

No exceptions to the above were identified by Directors in their assurance statements.

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 Chief Internal Auditor 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 (AGS).

The Chief Internal Auditor provided his annual report to the Audit Committee on 30th July, 2020. The report outlined the key findings of the audit work undertaken during 2019-20, including areas of significant weakness in the internal control environment.

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 2019-20, 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 Chief Internal Auditor that:

*On the basis of the audit work undertaken during the 2019-20 financial year, an opinion of **satisfactory** assurance is awarded. This remains unchanged from 2018-19. This opinion is caveated as the key financial systems audit reviews of Payroll, Treasury Management, General Ledger, Bank Reconciliation and IT System controls were not completed in the financial year 2019-20 due to COVID – 19 pressures.*
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.

The detail to support this assessment iss provided in the 2019-20 Annual Internal Audit Report.

viii. Review of Internal Audit

The Public Sector Internal Audit Standards were introduced from April 2013. The Internal Audit service has operated in compliance with Public Sector Internal Audit Standards throughout the year. The Cambridgeshire office of LGSS Internal Audit underwent an external review of compliance with Public Sector Internal Audit Standards in December 2016-17, and a number of recommendations were agreed to further improve the work of the service, including the introduction of a new Terms of Reference format, and the inclusion of some specific areas within the Annual Report. A follow-up visit in May 2017 confirmed the implementation of these actions and confirmed compliance with the latest set of standards issued in April 2017. The self- assessment undertaken during March 2020 confirmed continued compliance.

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.

x. Risk Management

The Council managed its risks during 2019-20 in accordance with the approved Risk Management Policy and the Risk Management Procedures. The Joint Management Team and Directorate Management Teams formally considered risk on a quarterly basis. Quarterly risk management reports were submitted to both the General Purposes Committee and the Audit and Accounts Committee.

The Internal Audit Plan for 2020-21 presented to the Audit and Accounts Committee in March 2020 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 2020-21.

As part of the Council's immediate response to the Pandemic, a bespoke risk register was created to help manage the challenges of Covid–19. This risk register and action tracker was a standing agenda item at JMT Gold.

As the full impacts of the pandemic on the organisation were emerging in March 2020, the Council put its joint management team onto an emergency management footing, meeting as the "Gold" command group. JMT Gold meetings took place on a daily basis initially, feeding into multi-agency forums across the County and Sub-region and supported by a tactical co-ordination group within the Council. Under the constitution the Chief Executive is empowered to take emergency decisions on behalf of the local authority: a number of Committee meetings were initially cancelled meaning that an alternative decision route was needed pending the enactment of secondary legislation enabling local government Committees to meet virtually from April. An exception and highlight report process across the different tiers of management and up to Member oversight is continuing as at the date of publication of this statement.

SIGNIFICANT GOVERNANCE ISSUES

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

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. The Council is a large, complex organisation and the arrangements set out elsewhere within this AGS provide robust system mechanisms to identify governance weaknesses and correct them, e.g. Internal Audit, Risk Management etc. No signfiicant governance issues were found needing to be highlighted within the AGS.

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and a significant reduction in Central Government funding. These are recognised as realistically providing potential pressures upon governance arrangements across the Council. The Council's 5 year Business Plan is reflective of these pressures, and is subject to annual review, to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is recognised that in order to address this increased financial pressure on the organisation, the Council needs to transform and develop more effective working across all services. To achieve this, Cambridgeshire County Council has developed a Transformation Fund, for which the General Purposes Committee has stewardship. This enables the authority to fund the costs of transforming services through the ongoing Transformation Programme.

In order to address financial pressures across the public sector, partnership working between the County Council and other public sector organisations is increasingly important. On 16th March 2017, the Secretary of State for Communities and Local Government announced the Cambridgeshire and Peterborough Combined Authority devolution deal. The integrity of Cambridgeshire County Council is protected under this deal and the Council will continue to deliver the vast majority of services for residents as it does currently, with the Leader of the Council acting as a member of the Combined Authority.

In future years, there is the potential that devolution in the region could evolve further and this may impact further upon the authority's governance arrangements. Cambridgeshire County Council already works closely with other public sector bodies in the region, and shares a Chief Executive and several Directors with Peterborough City Council. Governance arrangements for sharing staff and services across partners continue to evolve into 2020-21, and the Council is planning to bring forward further integrated and shared service opportunities with Peterborough, in order to drive down costs, increase resilience and improve outcomes for residents.

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.

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.

CHAIRMAN OF GENERAL PURPOSES COMMITTEE AND CHIEF EXECUTIVE STATEMENT

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

Councillor Steve Count
Leader

Gillian Beasley
Chief Executive

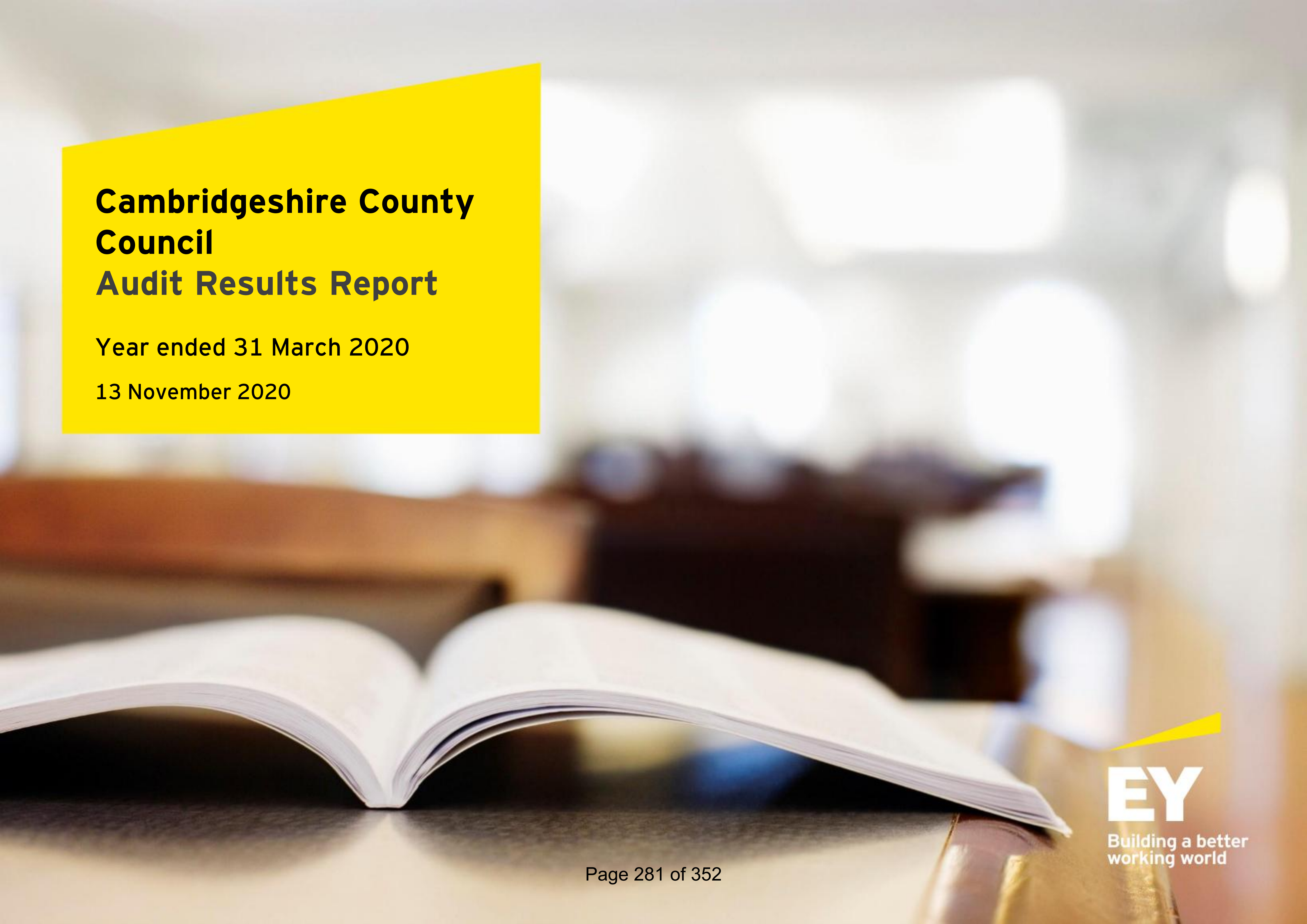
Councillor Michael Shellens
Chairman of the Audit and Accounts Committee

November 2020

Cambridgeshire County Council
Audit Results Report

Year ended 31 March 2020

13 November 2020



Building a better working world

13 November 2020

Dear Audit and Accounts Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire County Council for 2019/20.

We have substantially completed our audit of Cambridgeshire County Council for the year ended 31 March 2020. We have set out the current status of the audit in the Executive Summary and provided details of progress against each area of significant risk and areas of audit focus in Section 2.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the Council's financial statements in the form at Section 3.

As previously discussed, and set out in our Audit Plan, we are yet to commence our work on your arrangements to secure economy, efficiency and effectiveness in your use of resources, as the 2017/18 and 2018/19 VFM Conclusions remains outstanding.

This report is intended solely for the use of the Audit and Accounts Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Accounts Committee meeting on 24 November 2020.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

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Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Audit Plan, presented at the 30 July 2020 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan with the following changes affecting our audit approach:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July 2020 to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19, in line with our discussions with you at the 30 July 2020 Audit and Accounts Committee:

- **Disclosures on going concern** – Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.

- **Valuation of land and buildings (part of the property, plant and equipment and investment property balance in the accounts) -** The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings.

- **Pension Liability (IAS19)** – In our Audit Plan we included an Inherent Risk over the Council's Pension Liability (IAS 19). We have reconsidered the impact of this risk on the Councils Statement of Accounts and determined that due to the impact of COVID-19 on the availability and timings of market data on the pension fund's investments, in particular the Level 3 investments which require estimation as at the 31 March 2020, there is a higher likelihood of material misstatement and therefore increased this risk to a Significant Risk.

- **Events after the balance sheet date** – We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.

Executive Summary

Scope update

Changes in materiality:

In our Audit Plan, we communicated that our audit procedures would be performed at the following levels:

Group	Audit Plan £million	Final £million	Basis
Overall Materiality	17.21	19.58	1.8% of Gross Expenditure
Performance materiality	8.61	9.79	50% of overall materiality
Reporting threshold	0.86	0.98	5% of overall materiality

We updated our planning materiality assessment using the draft accounts and have reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our materiality figures as follows:

Council - Single Entity	Audit Plan £million	Final £million	Basis
Overall Materiality	17.14	19.58	1.8% of Gross Expenditure
Performance materiality	8.57	9.79	50% of overall materiality
Reporting threshold	0.86	0.98	5% of overall materiality

Executive Summary

Scope update

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

- Agree IPE to scanned documents or other system screenshots.

We are yet to conclude on some areas of this testing.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. In addition, following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

We have noted the impact of the above issues on our audit fee at Section 07.

Executive Summary

Status of the audit

We substantially completed our audit of Cambridgeshire County Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Plan as set out in Section 2. We have also set out the areas that remain to be completed and the reasons. Based on the work completed to date, we have not identified any issues that would lead to a qualified audit opinion. However, until all of our work is complete we are not able to confirm the final form of our audit report, but have included a draft at Section 3.

The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Property, Plant & Equipment valuations. Work is in progress, with a number of individual valuations to be concluded on by our internal valuers and the audit team;
- Procedures in relation to the 'material uncertainty' clause included within Management's Experts valuation report in relation to land and buildings. The Council's external valuers have followed the RICS guidance and included material uncertainty statements in their valuation reports for the year ended 31 March 20. We have yet to complete our procedures in relation to updated market reports from the Council's valuer. In addition, we have requested that the Council includes additional disclosures in regards to this material uncertainty within their accounts and we need to review those disclosures for appropriateness;
- Going Concern. We have received an updated going concern assessment from the Council and we are concluding our procedures on this assessment, including our mandatory internal consultation process;
- Group consolidation. We are awaiting group reporting from the Group component auditors (RSM);
- Cash and Cash Equivalents; We have not concluded on the Council's treatment of cash balances in relation to Schools. We are also awaiting one external confirmation;
- Borrowings. We are awaiting further information on how Short and Long term borrowings have been split within the Council's Balance Sheet;
- Payroll. We are awaiting information to support the Council's payroll expenditure; and
- Unrecorded liabilities. Top-up testing through to the audit opinion date.

Closing Procedures:

- Subsequent events review and Unrecorded liabilities testing which is required to be performed to the audit opinion date;
- Final Associate Partner review of audit work;
- Receipt of signed accounts, Annual Governance Statement and Statement of Responsibilities and Management's representation letter.

Executive Summary

Audit differences

Unadjusted Audit Differences

To date we have identified three unadjusted audit differences in the draft financial statements as set out in Section 4 – Unadjusted Audit Differences. We request that these unadjusted differences be corrected or a rationale as to why it is not corrected be considered and approved by the Accounts and Audit Committee and provided within the Letter of Representation.

Adjusted Audit Differences

We identified one material audit adjustment in regards to the classification of Grants within the Comprehensive Income and Expenditure Statement. We have identified a further five audit differences above our reporting threshold of £0.98 million, details are provided in Section 04 – Adjusted Audit Differences. We identified a number of audit disclosure differences in the draft financial statements, which we expect management to adjust for.

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Cambridgeshire County Council's financial statements This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Risk	Findings & Conclusions
Fraud Risk - Misstatements due to fraud or error (management override)	We have 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 - Incorrect capitalisation of revenue expenditure	We have completed our audit work on capital additions and REFCUS and have not identified any audit differences.
Fraud Risk - Accounting adjustments made in the 'Movement in Reserves Statement	We have completed our audit work in regards to adjustments made to the Movement in Reserves Statement and have not identified any audit differences.
Significant Risk – Property, Plant & Equipment - Valuation of Land and Buildings and Investment Properties	We have not concluded our audit procedures in this areas. We employed the use of our own expert to support the work in relation to the valuation of land and buildings. Our expert has not finalised their findings at the time of issuing this report.
Significant Risk - Pensions Liability – IAS19	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have received the IAS 19 assurances from the Pension Fund auditor. We have not concluded our procedures on the Council's pension fund liability.
Significant Risk - Accounting for Grants	We have completed our audit work on Grants. One material difference has been identified of £14.79 million in relation to the classification of grants within the Comprehensive Income and Expenditure Statement. Further explanation of this adjustment is included in Section 04 – Adjusted Differences.
Other Risk - Conversion of schools to Academies	We have completed our audit work on schools converting to Academies and have not identified any audit differences.
Other Risk - Sensitive disclosures	We have completed our audit work on the Sensitive disclosures with the Statement of Accounts and have not identified any audit differences.

Executive Summary

Areas of audit focus (Continued)

Risk	Findings & Conclusions
Other Risk - Private Finance Initiative (PFI)	We have completed our audit work on PFI. We identified one audit difference in regards to the Council's Street Lighting PFI, where the unadjusted error identified during the 2018/19 audit had not been updated in the 2019/20 Statement of Accounts. Further explanation of this adjustment is included in Section 04 – Adjusted Differences.
Other Risk - Valuation of heritage assets	We have completed our audit work on the Council's Heritage Assets and have not identified any audit differences.
Other Risk - Dedicated Schools Grant Deficit Accounting	We have completed our audit work on the accounting for Dedicated School grants and have not identified any audit differences.
Going concern disclosure	We have received the Council's Going Concern assessment and supporting documentation and are currently concluding our audit procedures, including the mandatory internal consultation process to support our conclusions.

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.

Executive Summary

Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Other reporting issues

We have not completed our review of the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission.. At the time of writing this report we are yet to complete our work on the Whole of Government Accounts (WGA) return, as the deadline has been deferred until December 2020.

We therefore expect to issue the Audit Certificate at a date subsequent to the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Fraud Risk - Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

What did we do?

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

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Obtained and understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including;
    - tested of journal entries and other adjustments in the preparation of the financial statements;
    - reviewed accounting estimates for evidence of management bias; and
    - evaluated the business rationale for significant unusual transactions.

What are our conclusions?

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

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

We have not identified any new areas at risk of manipulation.

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

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.

Fraud Risk - incorrect capitalisation of revenue expenditure

What is the risk?

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

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to capitalisation of revenue expenditure.

Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

What did we do?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Council has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

We have completed the following procedures to address the risk:

- Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature.
- Data analytics journal entry testing - As part of our testing of journals we included specific tests to search for unusual activity that:
  - Moves expenditure from the CIES to PPE on the balance sheet.
  - Reduces expenditure and creditors.

What are our conclusions?

Our sample testing of Additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value;

Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Fraud risk – 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 way of achieving these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to accounting adjustments made in the Movement in Reserves Statement (MiRS):

- 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 (MRP)

What did we do?

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance.

This line is shown in the Movement in Reserves Statement. As the Regulations are varied and complex there is an inherent risk that management use this line to manipulate the General Fund balance.

To address this risk we:

- Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- 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;
- Performed testing of revaluations made during 2019/20 and reviewed other documentation to determine whether there was any indication that assets required impairment.
- Undertook substantive analytical review procedures over the depreciation charge to determine that the annual charge was correct.
- Reviewed the Council’s policy and application of the ‘Minimum Revenue Provision’.

What are our conclusions?

Our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council’s financial position through manipulation of postings to the Movement in Reserves Statement.

Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;

We did not identify any inconsistency whilst reconciling entries in the Movement in Reserves Statement;

We did not identify any misstatements in regards to the 2019/20 depreciation charge;

We did not identify any material issues with the Council’s policy and application of the Minimum Revenue Provision. We have raised a recommendation in regards the Council’s Minimum Revenue Provision in Section 04 of this report; and

At the time of this report we have not yet concluded on the Council’s revaluations and impairments.

Significant Risk - Valuation of Land and Buildings and Investment Properties

What is the risk?

The Council has engaged a new external valuation specialist (Burton Knowles) for the 2019/20 valuations.

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.

There is also the potential for significant impact of Covid-19 on the estimations and assumptions applied to asset valuations. In particular, on those asset, such as Investment Properties, that are valued as Fair Value at the balance sheet date.

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?

We are concluding our standard procedures to address the risk, which include:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, 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), and agreed this to what had been recorded in the Fixed Asset Register and General Ledger;
- Considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer;
- Reviewed changes to useful economic lives as a result of the most recent valuation;
- Assessed changes in valuation methodology applied by the new valuer;
- Engaged our own EY valuation experts to perform a review of valuation assumptions and methodologies on those more complex methodologies such as depreciated replacement cost and the valuation of retail park assets; and
- Tested accounting entries to confirm they had been correctly processed in the financial statements.

We focused on aspects of the Land and Buildings and Investment Property valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What are our conclusions?

In addition to the audit teams work in this area, we employed the use of our own expert to support the work in relation to the valuation of land and buildings.

We have not completed our work in this area and our expert has not finalised their findings at the time of issuing this report.

Significant Risk - Pensions liability - IAS19

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

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.

An additional consideration in 2019/20 is the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What did we do?

We are concluding our standard procedures to address the risk, which include:

- Liaising with the auditors of the Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council;
- Assessing the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC, being the Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY Pensions actuarial team;
- Considering the movement in fund asset values between the actuary's estimate and year end; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What are our conclusions?

We have completed our work on the Pension Liability.

We set out our detailed findings on the next page.

Areas of Audit Focus

Significant Risk - Pensions liability - IAS19

What are our conclusions?

We have obtained the required assurances from the auditors of Cambridgeshire Pension Fund over the information supplied to the actuary in relation to Cambridgeshire County Council.

We did not identify any issues with the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors.

We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19, including the 31 March 2019 triennial valuation. No issues were identified by the Cambridgeshire Pension Fund auditor in relation to the 31 March 2019 triennial valuation and no issues were identified with the disclosures in the Council's financial statements.

We have considered the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, that were estimated as at 31 March 2020. The Cambridgeshire Pension Fund auditors compared the estimated value of these investments to actual valuations received post year end and identified an audit difference of £16.99 million. This has the impact of understating the Council's share of the pension liability by £6.86 million.

We have concluded on the impact of the McCloud and Goodwin legal cases and the treatment of these by the actuary in the Council's triannual valuation and IAS19 report. For 2019/20 there is an additional impact of McCloud as HM Treasury, on the 16 July 2020, issued a consultation regarding transitional arrangements for public sector pensions, to eliminate discrimination as identified through the McCloud case. This consultation had the effect of changing the assumptions used by the Actuary in their calculations for the impact on the liability. As a result, the Actuary re-ran their actuarial assumptions model which reduced the Council's share of the Pension Liability by £1.83 million.

Taking the two items together, the cumulative impact on the Council's Pension Liability is an increase of £5.03 million. Management have updated the revised financial statements for this cumulative difference.

Significant risk

Significant Risk - Accounting for grants

What is the risk?

Our audit procedures on the Council's 2018/19 financial statements identified a number of material errors in regards to the accounting treatment and presentation of grants.

What did we do?

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

- Performed sample testing over capital grants received in advance (held on balance sheet) and those posted through the Comprehensive Income & Expenditure Statement;
- Reviewed these for the underlying terms/conditions to ensure categorisation is appropriate; and
- Reconciled the primary statement balances to the detailed notes within the Statement of Accounts to ensure appropriate presentation grant income and consistency throughout.

What are our conclusions?

We have completed our work on the Council's grants.

Testing of Capital Grants Received in Advance and those posted through the Comprehensive Income and Expenditure Statement identified one material audit difference of £14.79 million relating to the incorrect classification of grants within 'Net Cost of Services' which should have been classified in 'Taxation and Non-specific Grant Income' within the Comprehensive Income and Expenditure Statement.

Testing of underlying terms/conditions did not identify any misstatements in regards to the categorisation of grants.

Reconciliation of the primary statements to the detailed notes within the Statement of Accounts did not identify any inappropriate presentation or inconsistency.

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<u>Conversion of schools to Academies</u> Schools have continued to convert to 'Academy' status during 2019/20. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted. Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.	To address this risk we: ▸ Reviewed the arrangements for identifying the school assets, liabilities and balances for transfers; and ▸ Reviewed how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year. Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions. Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to Academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.
<u>Sensitive Notes</u> We reported in our 2018/19 Audit Results Report a number of audit adjustments required to the sensitive notes presented in the Council's draft Statement of Accounts. As such there remains a higher risk of misstatement on the following sensitive notes which have a lower materiality threshold as per section 4 of this plan - Related Parties note; - Senior Officers Remuneration note; and - Exit Packages note.	To address this risk we: ▸ Tested the completeness of all sensitive disclosures, as well as the relevant accuracy of figures disclosed. Our testing of the Related Parties note, the Exit packages note and the Senior Officers Remunerations note did not identify any audit differences.

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
Private Finance Initiative The Council operate three material PFI's which are long term private funded schemes. The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.	To address this risk we: ▸ Performed testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; ▸ Confirmed consistency of the PFI models to the financial statements; and ▸ Compared the PFI models to those we reviewed during 2018/19. We did not identify any changes and were therefore not required to engage EY specialists to perform a review of the models. Our review and testing identified that for the Street Lighting PFI, an unadjusted audit difference identified during our 2018/19 audit had not been amended for in 2019/20. Management has now corrected for this audit difference, and further details of this audit difference can be found in Section 4 of this report; and Our testing confirmed the consistency of the PFI models to the financial statements and to the models used in 2018/19.
Valuation of Heritage assets The Council hold Heritage Assets on it's balance sheet of £18.6 million. This values has not been updated since 2008. As per the Code, "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current." We reported in our 2018/19 Audit Results Report that the value was materially correct but given the length of time since the Council's previous valuation there remains a higher risk over the valuation of heritage assets.	To address this risk we: ▸ Reviewed and tested management's consideration of the value and the valuation methodology applied to heritage assets to confirm that they remain current. Our testing of Heritage assets and the valuation methodology applied by Management to determine the valuations did not identified any audit differences.

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
Dedicated Schools Grant As of 1 April 2020, updated Department of Education regulations will come into effect, which impact on the way in which Dedicated Schools Grant is accounted for. However the Department of Educations have updated regulations retrospectively, so the Council will need to ensure it complies with this new regulation and related accounting guidance.	To address this risk we: ▸ Reviewed the Council's response to the new regulation and accompanying guidance and performing procedures to confirm that these have been correctly applied in the Council's financial statements. Our testing of the Dedicated Schools Grant shows that the Council has responded appropriately to the new regulations and accompanying guidance and these have been correctly applied to the Council's financial statements. We did not identify any audit differences.

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<u>Going concern disclosures</u> This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. CIPFA LASAAC and the extant (IFRS based but adapted) Code of Practice for Local Authority accounting 2018/19 presume that organisations operate as a going concern until Central Government discontinues the services. There is a statutory prescription that operational services will continue to be provided for the foreseeable future. That presumption has not changed in light of C19. The Code para 2.1.2.6 states that local authority financial statements shall be prepared on a going concern basis. However, the Financial Reporting Council's Statement of Recommended Practice – Practice Note 10 – Audit of financial statements of public sector bodies in the United Kingdom still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting in the auditor's report. In particular where there is insufficient assurance from the entity's representations, stress testing, modelling and forecasting or the lack of third-party confirmations and guarantees. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.	We have received the Council's updated Going Concern assessment and supporting documentation and are currently concluding our procedures: ▸ Challenging management's assessment of going concern using sensitivity analysis; ▸ Reviewing supporting evidence such as cash flow forecasts and post year-end valuation statements for evidence to support managements going concern assessment; and ▸ Ensuring sufficient disclosure within the financial statements. We are concluding our judgements, including completing the mandatory internal consultation process. We are consulting internally around whether an Emphasis of Matter in relation to going concern is merited based on the fact pattern. We have included the Emphasis of Matter statement within our draft audit report – See Section 03. An Emphasis of Matter draws a readers attention to what we consider to be a key disclosure in enabling the understanding of the financial statements. It is not a qualification of said financial statements.

03 Audit Report

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Draft audit report

DRAFT

Our opinion on the financial statements

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

Opinion

We have audited the financial of Cambridgeshire County Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- The related notes 1 to 41 to the Authority Financial Statements;
- The related notes 1 to 7 to the Group Accounts; and
- The Accounting Policies (Appendix 1).

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire County Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 41 of the financial statements, which describes the economic consequences the Authority is facing as a result of COVID-19 which is impacting the financial and operation position and performance during 2020/21 and beyond. Our opinion is not modified in respect of this matter.

Draft audit report

DRAFT

Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Cambridgeshire County Council Statement of Accounts and Annual Governance Statement 2019-2020", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Draft audit report

DRAFT

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the "Statement of Responsibilities, Certificate and Approval of Accounts" set out on pages 31 and 32 , the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements , in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.
The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we have been unable to form a conclusion on whether we are satisfied that, in all significant respects, Cambridgeshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020 as the Authority has not yet received its conclusion in relation to the arrangements in place for the year ended 31 March 2018 or 31 March 2019.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Draft audit report

DRAFT

Our opinion on the financial statements

Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

Audit Differences

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

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences

We highlight the following misstatements greater than £0.98 million which have been corrected by management that were identified during the course of our audit:

1. Classification of Interest Expense

Interest expense related to borrowing for capital purposes in 2019/20 had been incorrectly classified within 'Cost of Services' rather than in 'Finance and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

- Debit: Comprehensive Income Statement and Expenditure – Cost of Services - £1.74 million
- Credit: Comprehensive Income Statement and Expenditure – Finance and Investment Income and Expenditure - £1.74 million

2. Classification of Creditors

A payment to HMRC for clearance of a PAYE creditor was incorrectly posted to Short-term Debtors rather than to the corresponding Short-term Creditor in the Balance Sheet.

- Debit: Balance Sheet – Short-term Creditors - £4.73 million
- Credit: Balance Sheet – Short-term Debtors - £4.73 million

3. Correction of prior year unadjusted audit differences in relation to the Street Lighting PFI

As reported in our 2018/19 Audit Results Report, audit differences in relation to the Street Lighting PFI were not amended for by the Council, these audit differences have been amended for in the 2019/20 Statement of Accounts.

- Debit: Balance Sheet – Long-term Finance Lease Liability - £1.10 million
- Debit: Balance Sheet – Short-term Finance Lease Liability - £0.83 million
- Credit: Balance Sheet – Capital Adjustments account - £1.18 million

4. Classification of Grant Income

Grant Income had been incorrectly classified within 'Cost of Services' rather than in 'Taxation and Non-specific Grant Income' within the Comprehensive Income and Expenditure Statement.

- Debit: Comprehensive Income and Expenditure Statement – Cost of Services - £14.79 million
- Credit: Comprehensive Income and Expenditure Statement – Taxation and Non-specific Grant Income - £14.79 million

Continued on next page.

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.

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences (continued)

We highlight the following misstatements greater than £0.98 million which have been corrected by management that were identified during the course of our audit:

5. Pension Liability (IAS 19)

The Council's Pension Liability was understated due to the impact of a decrease in the valuation of Pension Assets at the Pension Fund level and as a result of the impact of the McCloud consultation on the actuarial assumptions.

Debit: Comprehensive Income Statement – Remeasurement of net pension liability - £6.86 million
Credit: Comprehensive Income Statement – Cost of Services - £1.83 million

Credit: Balance Sheet – Other Long Term Liabilities - £5.03 million

6. Long term Debtors

Our audit enquiries, led to the identification that one long-term debtor (Guided Busway project) was overstated.

Debit: Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income - £2.42 million
Credit: Balance Sheet – Long-term Debtors - £2.42 million

7. Other Adjustments
We also identified through our initial review of the draft financial statements a number of disclosure adjustments which have been corrected by management, the most significant of which is in relation to the Going Concern Note.

Audit Differences

Summary of unadjusted differences

We highlight the following misstatements greater than £0.98 million which have not been corrected by management that were identified during the course of our audit:

1. **Understatement of Accruals**

One accounting accrual in relation to the compulsory purchase order of land as part of the Huntingdon West - Town centre link project was not included in the year end Short Term Creditors balance.

- Debit: Balance Sheet – Property, Plant and Equipment (Assets Under Construction) - £2.50 million
- Credit: Balance Sheet – Short Term Creditors - £2.50 million

2. **Adult Social Care - payment in advance - Over statement**

The payment in advance for Adult Social Care within Short-term Debtors has been overstated due to the calculation methodology incorrectly including elements of the 2019/20 expenditure.

- Debit: Comprehensive Income Statement – Cost of Services - £1.19 million
- Credit: Balance Sheet – Short term Debtors - £1.19 million

3. **Understatement of Provisions**

The insurance provision within the Statement of Accounts has been understated, as the evidence to support the 2019/20 estimate was not received until after the draft Statement of Accounts had been prepared.

- Debit: Comprehensive Income Statement – Cost of Services - £2.64 million
- Debit: Earmarked Reserves - £0.28 million
- Credit: Balance Sheet – Short term Provisions - £2.92 million

We request that these unadjusted differences be corrected or a rationale as to why they are not corrected be considered and approved by the Accounts and Audit Committee and provided within the Letter of Representation.

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year 2019/20 with the audited financial statements.

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

Financial information in the Annual Financial Report 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the submission deadline has been deferred until December 2020. We will complete this work once we have completed our audit of the financial statements and will then report appropriately.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

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

We have received one formal objection to the Council's financial statements as a result of the inspection period. We will perform the necessary work alongside our review of the 2018/10 objection. We are satisfied that the issue within the objection does not have a material impact on the financial statements or our audit report.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

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

We have the following matter to bring to your attention.

Minimum Revenue Provision Review

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

The Council have undertaken work in 2019/20 as recommended in our Audit Results Report – Addendum update and have made progress in a number of these areas. We have concluded that the Minimum Revenue Provision in 2019/20 is materially correct but there remains the following areas to address:

- The Council has started but not completed its review of 'Assets Under Construction' to determine the amount that has been funded through 'unsupported borrowing' versus that which has been funded though other means;
- The Council will need to review and identify any additional amounts necessary to fully reconcile the Minimum Revenue Provision to the Council's Capital Financing Requirement (CFR); and
- Update the Council's Minimum Revenue Provision policy to explain the treatment of Private Finance Initiative Schemes.

Recommendation: We recommend that the Council addresses the above considerations, in advance of the 2020/21 closedown process.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

07 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 28 May 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Accounts Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Accounts Committee on 24 November 2020.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

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

	Proposed Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£'s	£'s	
Total Audit Fee – Code work (see note below)	72,427	72,427	72,427
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	53,915	-	-
Revised Proposed Scale Fee	126,337	72,427	72,427
Additional costs incurred during the audit (See Note 2)	To be confirmed (Note 3)	-	50,378 (Note 2)
Additional specific one-off work required for Covid-19 considerations (See Note 4)	To be confirmed	-	-
Total Fees	**To be confirmed**	72,427	122,805

All fees exclude VAT

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of Cambridgeshire County Council - £31,910
- Additional work to address increase in Regulatory standards - £19,625
- Client readiness and IT support for Data Analytics - £2,375

This additional fee has been discussed with management and is subject to approval by the PSAA Ltd. We will provide an update on the additional specific one off fee at the conclusion of the audit in the Annual Audit Letter.

Note 2 - 2018/19: As reported in our Audit Plan the scale fee variation relates to additional risks and procedures required in our audit of the Council's Statement of Accounts, for 2018/19 we have agreed with management a variation of £50,378 and is subject to approval by the PSAA Ltd.

Note 3 - 2019/20: Upon completion of our 2019/20 audit procedures we will consider the need for additional variation based on finding from our audit work, where additional audit resources have been required to gather sufficient appropriate audit evidence, over and above the factors set out in Note 1.

Note 4 – As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we can quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 2 November 2020: https://www.ey.com/en_uk/who-we-are/transparency-report-2020

8 Appendices

Required communications with the Corporate Governance Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee Plan – 30 July 2020
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	At the time of this report, we have not completed our work on the Council's Going Concern Assessment.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Subsequent events	▸ Asking the Audit and Accounts Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Fraud	▸ Asking the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility.	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Council	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – 30 July 2020 meeting of the Accounts and Audit Committee Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	At the time of this report we are awaiting receipt of one external confirmation.
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	We are awaiting Group reporting from the component auditor.

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we request from management and/or those charged with governance	▶ Written representations we request from management and/or those charged with governance	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan – 30 July 2020 meeting of the Accounts and Audit Committee Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee .
Certification work	▶ Summary of certification work	Audit Results Report – 24 November 2020 meeting of the Accounts and Audit Committee

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Property, Plant and Equipment Valuations review.	Awaiting some outstanding responses to our request for support on PPE valuations. EY to complete review of the Council's asset valuations.	EY and management
Going Concern assessment.	EY to review Council's updated Going Concern assessment and supporting working papers.	EY and management
Review of updated disclosure in regards to the 'material uncertainty' of the Council's Land and Buildings valuations.	Awaiting updated disclosure from the Council. EY to review adequacy of that disclosure.	Management
Group Accounts.	Awaiting final group reporting from component auditor.	Component auditor and management
Review of McCloud and Goodwin treatment by the pension funds actuary, Hymans.	EY to complete review the treatment of McCloud and Goodwin and the impact on the Council's statement of accounts.	EY
Short and Long term Borrowings	Awaiting response to how the split between Short and Long term borrowings has been derived.	Management
Cash and Cash Equivalents	Awaiting one external confirmation. EY to complete review of the Council's treatment of cash balances in relation to Schools.	EY and Management
Payroll expenditure testing audit query.	Awaiting response to outstanding queries in regards to payroll expenditure.	Management
Completion of testing of other disclosures.	EY to complete audit procedures over other disclosures.	EY
Unrecorded Liabilities.	Management to provide bank statements to opinion date and EY to complete unrecorded liabilities testing to opinion date.	EY and management
Agreement of final set of accounts.	EY to review final set of accounts for consistency and agree adjustments identified during the course of the audit have been appropriately reflected in the revised accounts.	EY and management
Management representation letter.	Receipt of signed management representation letter	Management
Subsequent events review.	Completion of subsequent events procedures to the date of signing the audit report	EY

Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter

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INVESTOR IN PEOPLE

Chris Malyon
Deputy Chief Executive and Chief Finance Officer
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

13 November 2020

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Chris,

Cambridgeshire County Council & Group – 2019/20 financial year
Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Group and Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire County Council and Group ("the Group and Council") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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2

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. You have approved the Group and Council financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

   That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

Request for a Management Representation Letter

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

1. That you acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
   - involving financial statements;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
- Additional information that we have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.

2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.

3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 November 2020.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter

F. Accounting Estimates

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

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

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

G. Expenditure Funding Analysis

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

H. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note 41 (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

J. Reserves

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

K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Group and Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Group and Council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter

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

5. You confirm that the disclosures made in the consolidated and Group and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Group and Council financial statements due to subsequent events.

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the "Statement of Accounts 2019-2020".

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

N. Group audits

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

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

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

O. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

P. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

Q. Specific Representations

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

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

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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Agenda Item: 6

Safer Recruitment In Schools Update

To: Audit and Accounts Committee

Date: 24th November 2020

From:

Electoral Division(s): All

Purpose: Schools Safer Recruitment Update

Key Issues: To update the Committee on the Schools Intervention Service monitoring of the Leadership of Safeguarding including safer recruitment in maintained schools

Recommendation: to note and comment on the report.

	Officer contact:
Name:	Diane Stygal
Post:	Senior Adviser for Leadership
Email:	Diane.Stygal@cambridgeshire.gov.uk
Tel:	01223 507115

1. Background

1.1 Safer recruitment is a statutory safeguarding requirement for schools. Expectations are outlined in Keeping Children Safe in Education 2019. This document was updated by the Department for Education in September 2019. Keeping Children Safe in Education has 4 sections with section 3 giving schools extensive guidance on safer recruitment.

2. Main Issues

2.1 The Committee requires assurances that Cambridgeshire maintained schools are compliant with statutory safer recruitment procedures and the wider leadership of safeguarding.

2.2 The Education Directorate carries out regular safeguarding reviews in schools, which include a major focus on safer recruitment.

2.3 To facilitate this the Education Directorate Safeguarding and Safer Recruitment Report is presented each term to the Audit and Accounts Committee.

3. Senior Adviser For Leadership Safeguarding Report

3.1 Safeguarding Reviews rolling programme

As previously advised; on March 23rd the rolling programme of Safeguarding Reviews ceased as a result of the Corona Virus Lockdown and the need for the Leadership Advisers to become involved in the Local Authority emergency response to the situation.

From September 1st 2020 however, these reviews recommenced and, in order to strengthen the Leadership and Management of Safeguarding across Cambridgeshire Schools, the Leadership Team has been involved in carrying out Safeguarding Reviews and Health Checks for all LA maintained primary schools, as well as some secondary academies and Special schools following our already established biannual cycle, plus for some additional schools cancelled due to COVID.

Given that Safeguarding is a priority for the School Improvement Team generally, these reviews have been split across the year into three priority groups against agreed criteria. Most of these are in-school face to face meetings, with just a few being held virtually because of social distancing, etc.

3.2 Academies

Academies and multi-academy trusts who purchase the Leadership Adviser offer continue to have a free safeguarding review annually and these are already booked in for this year. Other Cambridgeshire academies sometimes purchase reviews on a ‘pay as you go basis’, however many wish to source such reviews from other providers or from within their own Trusts. We continue to hold the Service Level Agreement for the DEMAT Trust and support their Leadership of Safeguarding training as well as carrying out independent safeguarding reviews and health checks for their schools.

3.3 Training, support and monitoring

Maintained nurseries, primary schools, academies and special schools are independently governed and managed and are free to purchase their training support from a range of providers.

The Local Authority (LA) Safeguarding and Child Protection Service provides a wide range of Child Protection related courses to nearly all maintained schools, academies and independent schools in Cambridgeshire.

The Leadership Team also offers a full range of training for all schools and education providers across both Cambridgeshire and Peterborough. Currently all of this training is delivered 'virtually' in line with Government COVID guidance, and the programme includes:

- Half-day conferences
- Safer Recruitment Training – both full and refresher courses
- Complaints and allegations training
- Governor Services organised training and briefings for governors and Cam Clerks
- Induction for Peterborough Schools re- Complaints Policy
- Academy Schools general safeguarding training.
- Bespoke Training for individual Governing Bodies
- New Headteacher Induction Programme – Safer Recruitment and the Wider Safeguarding Culture
- Deputy Heads Leadership Course - Policy compliance and the Wider Safeguarding Culture

3.4 Safer Recruitment Training

It remains a statutory requirement for all appointment panels in schools to have a safer recruitment trained person on the panel.

The Governor Services team continues to offer well attended Safer Recruitment Training across the county, which the Leadership Advisers conduct on their behalf. Both refresher and full training is offered, and the training is based on nationally accredited materials.

Diane Stygal (nationally accredited trainer) currently delivers the Safer Recruitment training as well as leading on the safeguarding reviews for the Schools Intervention Service. Our new team member, Phil Nash, will be undergoing his national accreditation training later on this term.

3.5 Local Authority Designated Officer (LADO)

The Leadership Advisers continue to work with schools and the LADO when allegations are made against adults who work with children. We are kept informed of allegations and often attend Allegations Meetings.

3.6 Outcomes

All of the maintained schools inspected in Cambridgeshire have had 'effective' judgements for safer recruitment since the start of the academic year. One school received and 'inadequate' judgement last June during a Section 5 inspection. The School Improvement Service and Leadership Team were swift to intervene however and during their re-visit in October this judgement was reviewed and the school found to be 'effective' again.

3.7 Intervention

The two Leadership Advisers continue to follow up OFSTED safeguarding complaints that are passed to the Local Authority. These are rarely linked to safer recruitment and staff conduct. This enables us to work in partnership with Cambridgeshire academies and independent schools.

The School Improvement Advisers are also ensuring that Safeguarding is at the heart of their work and in addition to their Keeping in Touch Visits and Annual Monitoring Reviews, etc. they are also:

- Asking questions of senior leaders to probe the Wider Safeguarding Culture of a school
- Checking the SCR and HR files
- Enquiring about CP records
- Updating chronolators as appropriate (chronolators are evidence based tables where concerns are listed in respect of information sharing across teams).
- Have checked off COVID risk assessments
- Analysed school Recovery Plans
- Looked at Remote Learning Plans
- Supported schools to improve attendance rates

3.8 Conclusion

We continue to see a positive safer recruitment picture across Cambridgeshire schools. The reviews demonstrate that there are usually minor improvements that schools can make.

Source / background Documents: None

Agenda Item: 7

Transformation Fund Monitoring Report Quarter 2 2020/21

To:	General Purposes Committee Audit and Accounts Committee for information
Meeting Date:	24 November 2020
From:	James Gemmell, Transformation Manager
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key Decision:	No
Outcome:	To outline progress in delivery of the projects for which transformation funding has been approved at the end of the second quarter of the 2020/21 financial year.
Recommendation:	To note and comment on the report and the impact of transformation fund investment across the Council.

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1. Background

1.1 General Purposes Committee (GPC) has responsibility for the stewardship of the Transformation Fund, approving business cases for new proposals and reviewing progress of the existing projects.

1.2 The Transformation Fund provides one off funding to encourage projects where an invest to save, invest to improve, or invest to innovate bid can underpin service improvements and deliver improved outcomes and future efficiencies.

1.3 This report provides GPC with a broad overview of the performance of the Transformation Fund (and team) to date together with details of how the proposals which are currently drawing down funding are performing. Specific Service Committees continue to review relevant projects in detail as appropriate.

2. Transformation Fund overview

In 2016 we invested heavily in an ambitious transformation agenda for Cambridgeshire citizens. Investment in a number of cross organisational change programmes through a dedicated team and fund has delivered significant financial and social returns. Over £100m has been saved over the last four years through work supported by the Transformation Team including £25m being saved as a direct result of investments made through the Transformation Fund. We have a broad portfolio of examples to draw from which demonstrate our ability to drive efficiencies, deliver value and deliver better outcomes for people that cost less, through changes to practice and use of technology and some of these are outlined below:

2.1 **Resilience and independence in the SEND environment**
Ensuring education and care support packages for children and young people with SEND were appropriate to meet need, of a high quality and support and enable young people to acquire, develop and maintain independence ahead of their transition to Adult Social Care.

Financial Benefit – £1m of savings have been realised
Change in practice – Support the use of managed risk by professionals and providers in the commissioning and reviews of support packages provided to children and young people with special educational needs or disabilities.
Outcomes for citizens – Placements are able to offer the right support at the right time, without limiting or restricting independence and / or compromising individual and family resilience.

2.2 **Total Mobile**
A mobile app integrating critical aspects of the Adult Social Care case management system to enable adult social care staff to access and input information via their mobile device.

Financial Benefit – Significant improvements to the efficiency and productivity of frontline workers, maximising the avoidable demand opportunities identified in the Adults Positive Challenge programme
Change in practice – Supporting the workforce to become digital by default allowing for increased flexibility

Outcomes for citizens – A higher number of citizens will be able to access the support of preventative services due to increased efficiency, and worker access to real-time data and information will enable better quality, strengths based support with reduced delay.

2.3 **SEND Transformation**

To positively influence the drivers of avoidable, high-cost demand for SEND services that don't maximise long-term independence for children and young people into adulthood.

Financial Benefit – Reduced risk of exclusion, and associated challenges face as a result - 33% reduction in exclusions in settings that are utilising the new approach to date.
Change in practice – Test and learn interventions focusing on different tools to support strengths based working, focusing on outcomes and impact on demand in the system.
Outcomes for citizens – Embedding trauma informed practice and 'STEPS'; a revolutionary new approach to managing behaviour in settings and schools in order to reduce exclusions and placement breakdown.

3. Current Projects

3.1 To date, GPC have approved £27.7m of investments and there is currently £15.3m funding available to allocate to further investments.

3.2 Further proposals continue to be drawn up and will be submitted to GPC for consideration.

3.3 The table below gives an overview of the projects that have drawn down funding in Q2. The table shows their current financial RAG rating across the lifetime of the project and also outlines the non-financial outcomes and benefits anticipated from each project.

Project	Brief description of project	Outcomes and benefits
Looked After Children (LAC) Placement budget savings C/R.5.007 **BLUE**	Funded the campaign to recruit more in house foster carers (launched in September 2018) to reduce the reliance on independent fostering association (IFA) foster carers, a review of high cost placements and fee negotiations with IFA providers.	• Increased the number of in house foster carers to place children with LAC are placed in the most appropriate placement with the right level of care and support. Since September 2018 there has been an increase of 21.8% (36 households) against the overall long term/short term and link foster carer cohort.
Case reviews of specialist transport provisions C/R.5.009 **GREEN**	Provide additional capacity within the Social, Education Transport Team to review LAC Transport processes and provision	• To ensure that all placements are offering value for money and to deliver savings
Adults Positive Challenge Programme C/R.5.018 **RED**	Design and create financially sustainable services that managed demand and enables residents to live fulfilled lives, build on people's strengths and support people in a way that works for them.	• Putting choice and independence directly into the hands of individuals and communities.

Project	Brief description of project	Outcomes and benefits
		• addressing citizens' needs early on to prevent them from escalating • building self-sufficient and resilient communities

3.4 The table below shows the trend in RAG rating over the previous four quarters for these current projects.

	Financial RAG				
Project	**Q2 2019-20**	**Q3 2019-20**	**Q4 2019-20**	**Q1 2020-21**	**Q2 2020-21**
Looked After Children (LAC) Placement budget savings	**Blue**	**Blue**	**Blue**	**Blue**	**Blue**
Case reviews of specialist transport provisions	**Green**	**Green**	**Green**	**Green**	**Green**
Adults Positive Challenge Programme	**Amber**	**Amber**	**Amber**	**Red**	**Red**

3.4.1 The Adults Positive Challenge programme remains rated as Red in this period as progress continues to be made against the mitigating actions which were detailed in full as part of the Quarter 1 report. Officers are continuing to monitor and take action both as part of the refreshed programme plans and the current business planning cycle. For further information on the current challenges faced by adults' services, please refer to sections 3 and 4 of the business planning paper that went to Adults Committee in October 2020.

4. Financial outcomes for current projects

4.1 The table below summarises the overall financial performance of the current projects drawing down funding as of the last quarter (Q2) of the 2020/21 financial year.

RAG Rating (lifetime of saving)	No. of projects	Investment to Q2 (including prior years) (£000)	Total Investment Committed (including approved future years allocation) (£000)	Savings / income to Q2 (including previous years' savings achieved) (£000)	Forecast savings / income up to end of 20/21 (including previous years' savings achieved) (£000)	Budgeted future years savings (as per 2020/21 Business Plan, 2021/22 onwards) (£000)
Blue	1	444	705	-2,818	-2,818	0
Green	1	72	100	-300	-300	0
Amber	0	0	0	0	0	0
Red	1	2,826	3,000	-3,372	-3,517	-300
Total	**3**	**3,343**	**3,805**	**-6,490**	**-6,635**	**-300**

5. Alignment with Corporate Priorities

5.1 A good quality of life for everyone

The individual Transformation Fund bids identify where the specific project supports this outcome.

5.2 Thriving places for people to live

There are no significant implications for this priority.

5.3 The best start for Cambridgeshire's children

The individual Transformation Fund bids identify where the specific project supports this outcome.

5.4 Net zero carbon emissions for Cambridgeshire by 2050

The individual Transformation Fund bids identify where the specific project supports this outcome.

6. Significant Implications

6.1 Resource Implications

The resource implications are captured on the savings tracker showing expenditure from the transformation fund and the actual and anticipated return on investment.

6.1.1 Deployable Transformation Team resource as at 30 September 2020 = 28.2 FTE

6.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications – in some instances the procurement process has taken longer than anticipated creating some delay in the expenditure and impact of the transformation investments – these are described within the commentary for each project.

6.3 Statutory, Legal and Risk Implications

There are no significant impacts for this category.

6.4 Equality and Diversity Implications

There are no significant implications within this category from this report – individual community impact assessments were completed for all projects as part of the original business case.

6.5 Engagement and Communications Implications

There are no significant impacts for this category.

6.6 Localism and Local Member Involvement

There are no significant impacts for this category.

6.7 Public Health Implications

There are no significant impacts for this category.

7. Source documents

7.1 None.

Agenda Item No. 8

TITLE **Farm Audit Update**

To: **Accounts and Audit Committee**

Date: **24th November, 2020**

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

1. PURPOSE

1.1 To give the Committee an update as requested on the timescales for this work.

2. BACKGROUND AND UPDATE

2.1 The Internal Audit work is complete and the audit report has been fact checked with key stakeholders. 300+ comments and submissions were received and have been reviewed with a revised report prepared as agreed to the timescales of 9th Oct.

2.2 The volume and nature of comments requires the revised report to be circulated a 2nd time, to give all stakeholders the fair opportunity to fact check those changes. The Audit and Accounts Committee will recall that PKF undertook 6+ cycles of fact checking with some stakeholders prior to the issue of their final Community Transport report.

2.3 A revised timescale for the Audit has been agreed as:

- Report to key stakeholders 10th Nov (Weightmans have reviewed, redacted and PDF'd each document as before as well as tailored correspondence to each stakeholder)

- Final comments to be received by 27th Nov.

- Finalise the report by 4th Dec and issue to Monitoring Officer and Chief Executive to consider whether any issues need to be progressed under formal processes.

2.4 Previously it has been stated that the report would be submitted, in public session, to the Councils Audit and Accounts Committee. Now that the Audit findings are largely confirmed the next steps were discussed (with Monitoring Officer, Chief Executive and legal advisors). The following was agreed:

- The draft report to be shared (bound by officer confidentiality) with the new permanent Farms Head of Service (Tony Cooper) to review, agree and start implementing the service recommendations. This was done on 10th November.

- The Final Report to be issued by Chief Internal Auditor to the Chief Executive and Monitoring Officer as above when finalised (target 4th Dec).

- To ensure organisational confidence, the final report will be shared with the Leader of the Council and Chairman and Vice Chairman of Audit and Accounts Committee (AAC) as a confidential document.

- The next steps to be discussed at a meeting with the Chairman / Vice Chairman of AAC, Leader of the Council, Chief Executive, Monitoring Officer and Chief Internal Auditor and what, if any other processes are required, in the light of the final findings.

2.5 In summary therefore the initial fact check of the audit report has been completed. It is now necessary to share a revised version of the report with stakeholders for final comments. Additionally the report has identified other areas which are likely to require exploration and conclusion through formal processes before a full and balanced picture can be presented to the Committee for consideration. It is acknowledged that this may not meet with existing expectations regarding the timetable however, Cambridgeshire County Council's priority has to be ensuring the overall integrity of the process and ultimately transparent and conclusive outcomes.

2.6 The Council has also received and is administering Subject Access Requests from the tenants. This is an extensive and complex request. The process is supported by internal and external legal advice and has also involved advice from the Information Commissioners Office.

3. Source Documents: None

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Agenda Item No: 10

Audit And Accounts Committee Forward Agenda Plan

Note Group Leaders decided on 20th October to allow Committee to now make decisions on whether information reports would be included on future agendas. Please note this may change again as the Covid-19 crisis deepens if there is a need to again redeploy staff to emergency support areas

COMMITTEE DATE 2.00 P.M. TUESDAY 26th January 2021			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 13th January 2021	Frequency of report	Corporate/Service Director /external officer responsible	Report author
Debt Management Six Monthly Progress Update	Every six months January and June unless there is a request for additional updates	Head of Revenue and Benefits	Robin Bates
Statement of Update Accounts Process – Action / Improvement Plan	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer / Strategic Finance Manager - Corporate Finance	Tom Kelly, Ellie Tod
Performance Report Quarter 2	Quarterly	Head of Business Intelligence	Tom Barden
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been through General Purposes Committee or was	Chief Finance Officer	Tom Kelly / Rebecca Barnes

	going the same day		
Six Monthly Report in respect of Consultancy expenditure and compliance with the Policy		Head of People HR/ Procurement	Martin Cox / Sarah Haig
Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal
Internal Audit Progress Report Including Progress of Implementation of Management Actions and Internal Audit Plan Update) 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	Each meeting other than the meeting when the IA Annual Audit Plan Report (usually March) is received or the special meeting to consider the draft accounts (June or July)	Head of Internal Audit	Neil Hunter / Mairead Claydon
Agenda Plan	Each meeting	Chief Internal Auditor / Democratic Services / Chairman and Vice Chairman in a Chairman briefing	Duncan Wilkinson / Ro Sanderson Cllr Shellens / Cllr Rogers
COMMITTEE DATE 2.00 P.M. TUESDAY 23rd March 2021			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 10th March 2021	Frequency of report	Corporate/Service Director /external officer responsible	Report author
Statement of Accounts Process – Action / Improvement Plan	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer / Strategic Finance Manager - Corporate Finance	Tom Kelly, Ellie Tod
Whistle Blowing Annual Review	Annual	LGSS Head of Internal	Neil Hunter / Mairead

		Audit / Audit and Risk Manager	Claydon
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been through General Purposes Committee or was going the same day	Chief Finance Officer	Tom Kelly / Rebecca Barnes
Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal
Transformation Fund Monitoring Report Quarter 3	Quarterly Update	Head of Transformation	Kelly Allen
Internal Audit Progress Report Including Progress of Implementation of Management Actions and Internal Audit Plan Update) 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	Each meeting other than the meeting when the IA Annual Audit Plan Report (usually March) is received or the special meeting to consider the draft accounts (June or July)	LGSS Head of Internal Audit / Audit and Risk Manager	Neil Hunter / Mairead Claydon
Agenda Plan	Each meeting	Chief Internal Auditor / Democratic Services / Chairman and Vice Chairman in a Chairman briefing	Duncan Wilkinson / Ro Sanderson Cllr Shellens / Cllr Rogers

Reports to be programmed as currently still the subject of ongoing investigations / additional work required

BDO External Audit Final report on investigations into Objections to the 2016/17 and 17-18 Accounts		Council's previous External Auditors - BDO	Lisa Clampin

FACT, HACT and ESACT Recovery of Monies This is currently the subject of a Police investigation When the report eventually comes forward it may require a separate confidential appendix as it may contains business sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded is still business sensitive in terms of providing updates for the Committee.	One-off Report	Chief Finance Officer / Service Director Highways and Finance	Chris Malyon
County Farms Tenancy Audit	One off Report likely to be at the same meeting as the report below	Chief Internal Auditor Head of Internal Audit / Audit and Risk Manager	Duncan Wilkinson Neil Hunter /
Manor Farm Tenancy Investigation (May have a confidential appendix to be confirmed) This will require a separate meeting	One off investigation	Chief Internal Auditor Head of Internal Audit / Audit and Risk Manager	Duncan Wilkinson Neil Hunter

Update 16th November 2020