AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Thursday, 30 July 2020

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

Shire Hall
Castle Hill
Cambridge
CB3 0AP

<u>14:00</u>

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

A special meeting of the Committee has additionally been scheduled at 10 a.m. on Friday 30th October to agree the final version of the Accounts.

The Audit and Accounts Committee comprises the following members:

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

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

Clerk Name: Rob Sanderson

Clerk Telephone: 01223 699181

Clerk Email: rob.sanderson@cambridgeshire.gov.uk

AGENDA ITEM: 3

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Thursday 28th January 2020

Time: 2.00 pm – 4.25 pm

Place: Kris Viersen Room, Shire Hall, Cambridge

Committee Members Present:

Councillors: S Crawford, J French (substituting for D Wells), P Hudson, T Rogers (Vice Chairman), M Shellens, (Chairman) and J Williams

Apologies: Councillors M McGuire and D Wells

Officers Present:

Tom Barden – Head of Business Intelligence (Minute 244)
Robin Bates LGSS Head of Revenue and Benefits (Minute 242)
Debra Collins Service Delivery Manager LGSS Revenue and Benefits (Minute 242)
Neil Hunter Head of Internal Audit (Minute 246)
Chris Malyon Chief Finance Officer (Minutes 239,240,242 and 243)
Fiona McMillan Joint Director of Law and Governance
Michelle Parker Group Accountant Closedown Team (Minute 245)
Rob Sanderson - Democratic Services Officer
Stewart Thomas Head of Emergency Planning (Minute 243)
Ellie Tod Group Accountant Corporate Finance (Minute 245 and 247)
Duncan Wilkinson - Chief Internal Auditor

238. APOLOGIES FOR ABSENCE DECLARATIONS OF INTEREST

Apologies were received from Councillors McGuire and Wells.

239. MINUTES OF THE AUDIT AND ACCOUNTS COMMITTEE DATED 28th NOVEMBER 2019

Democratic Services drew attention to the following required amendment:

> Page 7 Minute 226 Minute action log bullet three Community Transport Future Audit Responsibilities the reference to an appendix should have read as appendix 3 and not 2.
>
> In addition, as Appendix 3 had not been included in the agenda pack a copy had been added to the website with copies tabled at the meeting.

Subject to the above change, It was resolved:

That the minutes of the meeting held on 28th November 2019 were agreed as a correct record and signed by the Chairman.

The Chairman requested an updates on the following from the minutes:

- Page 7 of the agenda - Special October Committee minutes referenced as Page 24 –the new finance post. It was reported that a formal offer had been made and the post-holder was due to start on the 23rd March.

On the 28th November Committee Minutes

- Page 17 Minute 235 Internal Audit Progress Report Section 2 - fraud and corruption update – request for more details on the two frauds. In reply the position was still the same as reported to the November meeting, namely that the investigations were still active and therefore it was inappropriate to ask for or provide details in a public meeting.

- Page 17 Minute 235 Internal Audit Progress Report Section 4 – Cost Recovery in Place and Economy – reference to the Chairman not having been billed for Highways works - The Chairman highlighted that having stated this two months ago and been assured by a finance officer that it was only a temporary issue, he had at the date of the current meeting still not received an invoice. This, if it was a typical example, gave him little faith in the Place and Economy cost recovery process procedures. The Chief Finance officer undertook to personally look into the issue. **Action: Chris Malyon**

240. MINUTE ACTION LOG

The Minutes action log was noted with the following updates:

- **Minute 231 Registration of land purchased for highways purposes** - on the action for Councillor French to be sent the separate confidential appendix for sites in the Fenland area, she indicated she had still not received them. In reply the Democratic Services officer stated he had been copied into the e-mail sent to her and would therefore either send them again electronically or provide hard copies in her pigeon hole. She acknowledged that she had been having trouble with her e-mail system. **Action: Democratic Services Rob Sanderson**

- **Page 26 on the agenda Minute 225 - special meeting of the Audit and Accounts Committee - referencing B) Page 22 – additional e-mail from Mr Andrew Rowson on External Audit payments**. As set out in the response in the log, the missing data on the Council website on payments to the previous auditors had been an error / accidental omission and had now been resolved. An e-mail had been sent to Mr Rowson on 23rd January thanking him for highlighting the omission and informing him that the Council website had been appropriately updated.

Therefore this specific action was completed and could be removed from the Action Log.

- **Page 26 on the Agenda Minute 225 - special meeting of the Audit and Accounts Committee - referencing Page 27 - Guided Busway request for a further progress update.** – The Minute Action Log indicated that an oral update would be provided. This stated that there was no further progress to be reported at the current time.

- **Page 26 Item 20 Minute 229 Safer Recruitment in Schools Update** - The Chairman drew attention to a recent incident that had made the national headlines regarding a pupil at a school who had died as a result of suffering an extreme allergic reaction to having cheese thrown at him. He asked that Chris Meddle the Council's Senior Leadership Advisor be contacted regarding ensuring the appropriate checks on EPI allergy pens being available in Cambridgeshire schools were being undertaken. **Action: Rob Sanderson pass on request to Chris Meddle.**

- **Page 27 Minute 233 Performance Report – a) report format –** The Chairman had not as yet had the meeting to discuss suggestions for changes and would arrange a meeting with the Head of Business Intelligence following the meeting. **Action: Councillor Shellens / Tom Barden**

- **Page 28 - Minute 233 Performance Report b) Indicator reading the number of children in care –** regarding the volunteered action that Councillor Crawford would provide details to the Head of Business Intelligence of a study suggesting a link to closures of children's and family centres this had been provided the previous day. The officer would need time to look at the study before replying to Councillor Crawford with regard to her original query on whether there was a perceived link in Cambridgeshire **Action: Tom Barden**

- **Page 30 – Item 6 Minute 235 - Internal Audit Progress Report on the query from the Chairman on whether the advice regarding the risk of bank mandate fraud had been passed on to both maintained and academy schools in the County** the response provided in the log from Internal Audit was that the request had been passed on to the Schools Intervention Service. As this response did not answer the original question raised, the Chairman asked the Head of Internal Audit to provide further information regarding the officer who had been contacted so he could make his own enquiries. **Action Neil Hunter.**

241. PETITIONS AND PUBLIC QUESTIONS

None received for either by the County Council Constitution deadlines.

242. DEBT MANAGEMENT UPDATE REPORT

As previous reports had shown that the levels of aged debt in Cambridgeshire had been increasing, the Committee had requested further six monthly update reports. The current report provided an update on the actions being taken. It had been predicted in the June 2019 report that with stable resourcing of the team (which had now been achieved as the team had a full complement of staff) together with the improvement plan the service would deliver an expected reduction in overall outstanding debt.

Improvements highlighted and from questions raised by members in discussion included:

- A new reporting pack has been implemented, providing better visibility of balances across the Council by comparing and tracking collection rates as well as showing where overdue balances were in terms of resolution. A review had been undertaken on how debt cases were placed with LGSS Law with the team undertaking pre-assessment checks.

- The month end reporting pack now reflected the Directorates that were reported directly out of the ERP system and also separated out Cambridgeshire and Peterborough NHS Clinical Commissioning Group (CCG) debt as this debt was high value and was classed as a delayed payment managed directly by Cambridgeshire County Council (CCC) Finance team. Paragraph 2.5 listed more detail of the activity and progress made over recent months to pursue overdue balances and debts

- Customer contact were now being managed directly into the Debt Team rather than fielded through the helpdesk.

- The Collection Agents Bristow & Sutor were now supporting debt management in CCC based on 0% commission. Initial collection and contact rates had been positive with just under £75k recovered between October and December and this was expected to increase.

- The data cleanse and case review had continued and had escalated debts to collection agents, to regulated legal providers or been recommended for write off when it was deemed uneconomic to pursue them, or the customer was deceased or that all methods of recovery available to the service had been exhausted. Aged debts totalling £72,678 had been written off and further invoices totalling just under £144,000 were due for write-off in January 2020.

- In terms of collection rates benchmarking against the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmark standard of the % of invoices raised and debt collected within 90 days during the financial year the Council performance by value was 95% against the benchmark of 87% and 84% for volume against the benchmark of 87%. In terms of the overall % of invoices raised and cleared over the life of the debt for the period April

2019 to November 2019 as set out in a table in paragraph 3.1 of the report the results demonstrated that the majority of invoices raised during the year were being collected with the % collected increasing the further an invoice moved through the initial recovery cycle. A high level comparison of the overall CCC debt movement through Quarters Q) 2 and 3 indicated an £1.31m improvement in the overall debt position.

- Whilst aged debt was continually being cleared, there were always new invoices being raised so there would always be a rolling level of debt reported as outstanding. At the end of Q3 two invoices totalling £8.8m due for payment by Cambridgeshire & Peterborough NHS CCG on 14 December 2019 had become overdue thereby increasing 1-30 days from the amount reported at the end of Q2.However this debt had been cleared shortly after the end of the reporting period and therefore the outstanding balance showed a significant reduction shortly after.

- To further illustrate the nature of balances, of the £35.53m total debt that was outstanding at 1 March 2019, only £10.84m remained unpaid at 1 October 2019 and by 31 December that had further reduced to £9.58m, a reduction in debt of £25.95m over the period.

- The table at 3.2.1 of the report showed an overall debt figure of £26.84m as at 31 December 2019. Within this figure £14.01m was due from Cambridge and Peterborough NHS CCG and £0.5m from LGSS Law and those were being managed by the CCC Finance team. The overall debt under the management of the debt team was £12.3m and since the report had been prepared had fallen to £10m. This was split between £7.8m for Adult Social Care (ASC) (at the time of the meeting this had fallen to approximately £5.5m) and £4.5m for Sundry. Of this, the total debt which might become an issue with regard to collection was split £5.94m for ASC and £ 1.43m for sundry. Due to the client base involved ASC was the more difficult to collect.

In discussion other specific issues raised / responded to included:

- Explaining that a debt was recorded as overdue at the point that it passed its due date for payment. The debt was then classified as aged debt based on how many days past its due date it had become.
- Clarified that the figure of £86.88m shown in the table at the top of page 35 titled Recovery Letters Issue between 1st April and £1st December was the value of the reminder notices not what was owed.
- On non-collectability this was monitored and assessed each year. This in general and over the life of a balance was in the region ½% on sundry and 2% on adult social care balances (non- collectable) which showed that the vast majority was still being collected as detailed on page 38 of the report.
- The overall balance outstanding which included those not yet due was more in the region of £35-40m at any one time and reflected the rolling values as the Council never had a zero value and if the balances were ignored over 6 months the collection of income and debt was high £26m in the case of the period provided in the report. The aim was to

have less becoming bad debt. The Chief Finance Officer for perspective purposes reminded Members that the size of the Council business was in the region of £1billion a year.

- The Chairman highlighted that a report to the 24th January 2019 meeting showed debt figures for Adult Social Care as £2.9m and Sundry debt at £1.6m In response it was highlighted that the high level comparison of the overall CCC debt position at 1st March 2019 and 1st January 2020 showed an £1.3m improvement in the overall debt position while previously the figures had been increasing each month. The Team's emphasis had been to concentrate on new debt with a lot of old debt having been written off. (£1/4 million with a further £150k due to be written off) The intention was that less would become aged debt.
- There was a discussion regarding the CCG owing over £14m. This was seen as less of an issue as the money would eventually be paid with it highlighted that they were currently projecting a £220m overspend. Delays were also the result of the complexities around identifying which parts of invoices were health care and which were adult social care. Currently the CCG challenged every invoice and allocation of costs.
- Related to this one Member suggested that he wished to see more details of the above invoice process to the CCG to be able to ascertain whether it was efficient and whether improvements could be made. In reply it was explained that it was more of a past issue as the County Council used to pay the full debt and then reclaimed it from the health sector. CCC Finance team were now billing the CCG directly. New bills to the CCG were always being raised and would peak in a quarter. An example was the reference in paragraph 3.2.1 where at the end of Quarter 3 two new invoices totalling £8.8m due for payment from the CCG had become overdue. Thereby increasing 1-30 days from the amount reported at the end of quarter 2. On these, £8.6m was paid later in the month but would still show as a late payment.

At the conclusion of the debate the Vice Chairman thanked the debt team for their work over the last few months.

It was resolved to:

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

b) Agree that a further update will be provided on 2019/20 position (Q4 outturn) to the 2nd June 2020 Committee meeting.

c) To confirm future reporting requirements.

243. BREXIT PREPARATION UPDATE

This report provided an update on the preparations undertaken since the last report on 28 March 2019, and the subsequent monthly updates, the last one being circulated by email to the Committee in November 2019.

The Brexit Officer Taskforce had continued to review information from Government, and through its professional networks, to ensure the Council was focusing on the key issues / statutory responsibilities.

It was highlighted that on 24th December 2019 both Councils had received a letter from the Ministry for Housing, Communities and Local Government (MHCLG) confirming that ‘No Deal’ preparations were being stood down at a national level and that MHCLG did not require any further reporting from Local Resilience Forums on ‘No Deal’ preparations. The letter confirmed that the focus was now on the delivery aspects of the current Deal, the future relationship negotiations and preparing for the end of the implementation period. The work being undertaken was in line with the advice provided. Paragraph 2.4 to 2.8 listed the primary themes being progressed.

Issues raised in discussion / responses provided included:

- The Chief Finance Officer was able to confirm the Authority’s costs were net positive as most of the costs incurred had been opportunity costs.
- In discussion on communications on the Settlement Scheme, the emphasis was now on targeting hard to reach groups through contacts in the community, seen as being a more effective tool rather than through general media communications approaches. **The Chairman asked to be provided with an estimate of the number of people this might represent. Action: Stewart Thomas Head of Emergency Planning.**
- Whether there were any identified anxieties regarding the supply of local labour. Officers were working with suppliers, but currently it was too early to predict until the details of the Settlement became known.
- What joint work was being undertaken by the Taskforce with district councils? While the Task Group did not have collective meetings with district councils, Adrian Chapman the original BREXIT co-ordination officer was in dialogue with them as part of his overarching communities partnership role. Joint work was also undertaken with various local councils through activities co-ordinated with the Local Government Association.
- As the Emergency Planning Officer was presenting the report on behalf of the Director of Customer and Digital Services, the Chairman took the opportunity to request an update on the Council’s current response to the Wuhan novel coronavirus. It was reported that the Director of Public Health was in close contact with Public Health England and the Chairman of the Health Committee read out extracts from a statement provided to the Council’s Joint Management Team, Local Resilience Forum partners through a web-based ‘Resilience Direct’ page. This explained that the main role of Public Health was “to make sure that the national Public Health England information is shared in a timely way. In reality there have been no confirmed cases yet in the UK and it’s not yet clear what the UK impact will be”.

It was resolved:

To note the report.

244. PERFORMANCE REPORT QUARTER 2

This report provided an update on the Council's performance Indicators to the end of September summarising the performance measures monitored by service committees and highlighting those indicators that were 'Red' (current performance is 10% or more from target) or 'blue' (current performance is better than target by 5% or more). This was the second time that the new report template format had been used with Service Committees, with the following changes in format in response to feedback:

- 'Blue' replaced 'Very Green' in order to ensure consistency with other colour schemes used to summarise performance
- Text font and size had been increased and standardised
- The presentation of the 'direction for improvement' and 'change in performance' has been changed to improve clarity.

Feedback comments received from the previous Audit and Accounts Committee were too late to be included in the current report but would be included in the next round (Q3 performance, to the end of December).

Issues raised in discussion included:

- Page 51 (Page 3 of 37 of the original report) Indicator 20 2C(2) titled 'Average Monthly number of bed day delays (social care attributable) PER 10,000 18+population' The Chairman drew attention to the spike from August and the reasons provided in the narrative. He requested further details of why the performance had significantly decreased in the 2019 spring period. **Action: Tom Barden to check the information and the Council's performance with statistical neighbours during this period.**
- Page 53 (Page 5 of 37 of the original report) Indicator 105 titled 'Percentage of adult safeguarding enquiries where outcomes were at least partially achieved' – The Chairman was not happy with this as a measure. It was explained that this was a nationally defined indicator for adult social care.
- Page 65 (Page 17of 37 of the original report) Indicator 34 titled 'The average journey time per mile during the morning peak on the most congested route'- **Action: Tom Barden Head of Business Intelligence.**
- Page 79 (Page 31of 37 of the original report) Indicator164 titled 'Annual Forecast of the amount of commercial property income as a percentage of the original investment' - a question was raised on whether the information showed the return on capital as either net or gross. On the main bar chart the one on the left excluded finance costs while the one on the right included finance costs. The return of

investment forecast for 2019-20 was 5.14% (excluding finance costs). The projected return was expected to be 6% by 2024-25 but was still work in progress.

- The Vice Chairman while noting the amount of information provided, took the view that what would be more useful were details of what had changed and why. He was more interested in those indicators that were Red and Amber and suggested the report should concentrate on the bad. This view was not supported by the Chairman and was not the approach that had been agreed by General Purposes Committee the main client for the report.

It was resolved:

To note the report.

CHANGE IN THE ORDER OF THE AGENDA

With the agreement of the Committee, the Chairman changed the order of the agenda with Item 9 ‘Statement of Accounts Action / Improvement Plan taken as the next item of business,

245. STATEMENT OF ACCOUNTS - ACTION / IMPROVEMENT PLAN

This report reviewed both the lessons that had been learnt from the production of the 2018-19 Statement of Accounts for the Council and to provide an update on the progress made in planning for the 2019/20 Closedown of Accounts and production of the Statement of Accounts.

At the time the report had been written, the Accounts for 2018-19 had still not been signed off but still with an expectation that it would happen imminently. The two significant contributing factors to the delay were highlighted as:

- The change in the Enterprise Resource System on 1st Apr 2018 (from Oracle to ERP Gold) and the complexity in migrating data from the Fixed Asset Register
- A change in external audit firm.

Both were seen as one off events. Ernst and Young (EY) the external auditor having now audited the 2o18-19 Accounts were now familiarised with the Council’s processes going forward and had received the assurances required in the first year of auditing a new client. Paragraph 2.3 of the report detailed the specific audit issues that had arisen. It was highlighted that in the first bullet under 2.3.1 the text reading “Property, Plant and Equipment (posting of revelation movements …” should have read revaluation movements). One Member queried whether issues identified regarding property included the non-functioning of the K2 system. In reply positive steps were being taken to procure a replacement system with a bid included in the capital programme. The focus going forward would be on the new system.

The Council continued to expect an unqualified audit opinion, with no differences of view with the External Auditor on accounting treatments. The corrections identified by the External Auditor were largely administrative or about classification. Mark Hodgson the EY External Audit lead indicated that at the 31st October he had been ready to sign them off but had been awaiting a full set of Accounts. The recent delay had been the result of reconciliation differences in producing a final set of accounts from ERP Gold.

Section 3 of the report provided details of the staff restructuring undertaken following the decision of the LGSS Joint Committee in October to proceed with a Lead Authority model for LGSS, resulting in the Integrated Finance Service, including the Closedown Team for all three Councils, returning to the individual Councils' control. This included both recruiting an additional accountant and identifying additional temporary staffing resources to support the improved closedown function going forward.

Regarding EY's resourcing position, Mark Hodgson clarified that EY were fully resourced going forward for the audit of the 2019-20 accounts.

Section 4 of the report detailed the preparations for 2019-20, while also highlighting that to date, the Council had mainly been focused on completing the process for the 2018-19 accounts which had inevitably led to delays in being able to commence work on the 2019-20 accounts. In order to support this work, the Corporate Finance team had compiled an Improvements Schedule, as detailed in section 4.3 of the report. Due to the continuing work required on completion of the 2018-19 accounts, it was acknowledged that not all of the proposed improvements would be possible for the 2019-20 accounts, and therefore the Improvement Plan needed to be viewed as a two-year process.

Section 4.5.1 to 4.5.3 provided details on the asset valuation programme going forward with the Council appointing Bruton Knowles LLP, For 2019-20 on a two year contract to undertake the Council's asset valuations. The number had increased as all Depreciated Replacement Cost valued assets were now to be valued on a desktop basis with the valuations of school assets also changing to a Modern Equivalent Asset basis to bring them more closely in line with professional institute guidance. In the long run, this was likely to reduce the amount of time to value school assets, but might require additional work for the 2019-20 Accounts. The Chairman queried whether the target for all valuations to be completed by Mid-March was realistic. At the current time there was no reason to believe it would not be achieved, but this was reliant on other teams providing the necessary information.

As an update to the text reading "…..that due to the continued focus on the final stages of the 2018-19 accounts no date had been set for an interim audit for 2019-20 by EY" Mark Hodgson clarified that EY would not carry out an interim audit for 2019-20, only system process walkthroughs, and would focus efforts on the final audit. He highlighted that the 31st July was not a statutory external audit deadline for producing their ISA 260 Report and therefore EY would need to agree a timeframe with Finance Officers. This would not be before 31st July and was more likely to be by Mid-September with no reports able to be provided until meetings scheduled from early to late October if applicable. Further to this, Finance Officers would liaise with Democratic Services regarding whether there required to be date changes to meetings e.g. currently the agreed July 2020 meeting date was for the final Accounts sign off. **Action: Michelle Parker / Rob Sanderson**

With regard to EY's plans going forward on closedown, all local authorities finance officers had bee invited to a briefing held on 10th January. It was also clarified that a further Member briefing had been arranged for Wednesday 26th February at the EY Offices at the Cambridge Business Park Milton Road, Cambridge and was open to any member of the Committee to attend.

It was highlighted that Nationally, 2019 had seen a large increase in the number of Councils unable to meet the expected timescales. In addition, Public Sector Audit Appointments Ltd was no longer publishing authority-by-authority timescale compliance reports, a recognition of the difficulties local authorities were facing. Further to this, details were provided of the Council's response to the current Government Redmond Review of local authority financial reporting and external audit. The response included calling for a further urgent review of the current, unrealistic statutory timescales. The report indicated that the final Redmond Review report had a timetable for reporting of March 2020. Officers were not able to confirm whether this date was still realistic.

Regarding the objections to the 2016-17 and 2017-18 the accounts and the resultant delay to the value for money opinion on the 2017-18 accounts these had still not been concluded as they were still awaiting BDO's (the Council's previous external auditor) final report. The Chairman had previously written to BDO on 28th November 2019, requesting an update on progress (included as Appendix C to the report). BDO acknowledged receipt of the letter on 19th December 2019, stating that they would provide a formal response which was still awaited at the time of the meeting. EY consideration of the 2018-19 objection and the Value for Money opinion could only follow the conclusion of BDO's work.

It was resolved:

To note the report.

246. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report outlining the main areas of audit coverage for the period to 30th November 2019 and the key control issues arising since the last update provided to the Audit & Accounts Committee on 28th November.

As previously reported, the complex, and interlinked piece of work being undertaken by the Council's Internal Audit Service concerning Manor Farm and the Farms Estate was still in progress. While no specific date could yet be given when the report would be ready, when it was, the audit would be reported to the next available committee for discussion in public.

Section 1 - listed Finalised Assignments and information on draft reports.

Section 2 - provided a fraud and corruption update.

Table 4 set out the Whistleblowing Caseload. It was highlighted that there had been a higher level of whistleblowing referrals which was seen as a positive reflection on the increased publicity given to the procedure. One Member asked for an update on the Information Security case. As this was still an ongoing case, this could not be provided in a public meeting.

Section 3 – set out an update on the implementation of management actions. This showed a continued level of improvement in terms of actions completed with Internal Audit continuing to follow up on actions outstanding. There were currently 15 management actions outstanding with further details provided in Annex B of the report. A correction was provided on Pages 104-105 'Accounts Receivable 18/19' - the revised target date should have been 28th February 2020 not 2010. The reference to allocating to a fortuitous income code meant allocating them to a Miscellaneous code.

Section 4 – provided a summary of the completed audit with satisfactory or less assurance regarding:

Resources Directorate

- Fire Safety Checks
- Rental Income

Customer and Digital Services Directorate

- Business Continuity

Section 5 (and Annex A) provided details of updates to the 2019-20 Internal Audit Plan, the development of the 2020-21 Plan and proposals for resourcing of Internal Audit for which a paper had been sent to the Chief Executive and Deputy Chief Executive for consultation on the available options. The Chairman noted that those being consulted on the 2020-21 Plan did not include Members. It was explained that while the draft went to managers for their input, Committee Members were able to query / suggest any changes when it was reported quarterly to the Committee.

a) **Internal Audit Plan pages 99-101 -**The Chairman requested for future reports the status column indicating if an Audit was not opened, open or closed should not use different colour shading as they did not reproduce well in black and white printed versions of the agenda. He suggested that officers consider different hatchings e.g. dots for one, diagonal lines for another. In reply the officer suggested that the simplest way would be to just remove the colours completely. **Action: Neil Hunter Head of Internal Audit**

In discussion other issues raised included:

Summaries of completed audits with satisfactory or less assurance

- **b)** **4.1.1- Fire Safety checks** Request that an updated position be given in the next Internal Audit report for the March meeting in terms of Fire Risk Assessments (FRA's) coverage in all Council buildings. The Chairman requested that Internal Audit liaise with Phil Hill the Facilities officer as if the recommendations target date had been implemented, this should have occurred in December. **Action: Neil Hunter Head of Internal Audit**
- **c)** On the same report, last paragraph, making reference to Internal Audit identifying that "a property which had been authorised for closure and deemed only suitable for storage was still being used extensively by employees for meetings" the Chairman queried the justification of why it was deemed suitable for storage if it was a fire risk? **Action\: Neil Hunter Head of Internal Audit**
- d) **4.1.2 Rental Income –** This had been a previous concern in relation to the Council's incomplete Property Assets Register. One of the solutions to the issues of managing and monitoring rental income was to be a new Data Property Asset System, currently the subject of a procurement exercise.
- e) On the same subject it was highlighted that regarding uncollected rental income, LGSS Law were one of those identified as not having paid all the rental owing for their occupation in Scott House. It was agreed that LGSS Law should be invited to the next meeting to explain the reasons. **Action: Internal Audit to request LGSS Law attend the March Meeting.**
- **f)** **4.2.1 Business Continuity** with reference to the last sentence of the second paragraph reading: 'The review also identified a lack of senior management oversight of business continuity planning, information not available to all staff on the intranet, and the absence of a formally documented IT Disaster Recovery Plan' the Chairman made clear that he would be expecting an update on progress in the March Internal Audit report with any specific issues highlighted. **Action: Neil Hunter Head of Internal Audit**

Annex B page 102 Summary of outstanding recommendations under three months

Page 102 - Fostering Contract Management 18/19 Double Paying for home-to-school transport

a) Councillor Williams referencing the last paragraph reading 'There are a number of transport journeys being requested after initial assessment from the ART Team, ART have been unaware particularly where Children are out of the County' which as written was suggesting that the Council was paying carers for home to school transport when the children were out of the County and as this could be potentially fraudulent, asked were these cases being reported to the police? **Action: Neil Hunter Head of Internal**

Audit to investigate further and write to Councillor Williams outside of the meeting.

b) **Page 104 18-19 Ely Bypass Review – Systems Control Compliance -** In reply to a request to clarify the wording "Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, when there are significant implications" this was in order to obtain more rigour by adding a limit in the Constitution, as currently there was none.

It was resolved to:

Note the report.

247. INTEGRATED FINANCE MONITORING REPORT FOR THE PERIOD ENDING 30TH NOVEMBER 2019

This report with all recommendations having been agreed by General Purposes Committee that morning provided financial information to be able to assess progress in delivering the Council's Business Plan. Issues highlighted included:

- The overall revenue budget position was showing a £0.236m increase in the revenue pressure since the previous month's forecast showing a forecast year-end pressure of +£1.0m (+0.3%); largely within People & Communities (P&C) (£3,7m pressure), Commercial & Investment (C&I) (£0.9m pressure), and LGSS Operational (£0.4m pressure) partially offset by forecast underspends of -£2.7m in Place & Economy, -£0.5m in CS Financing and -£0.5m in Corporate Services.
- The Capital Programme was forecasting an -£22.7m underspend at year-end after the capital programme variations budget had been utilised in full.

Issues raised included:

- **Page 124 Older people aged 65+ receiving long term services and Adults aged 18+receiving long term services** as these were showing continued increases, the Vice Chairman asked what contingency for these increase had been built into the budget for next year. He requested that this information was provided to him before the full Council meeting on 11th February. **action Ellie Tod / Tom Kelly**

- **Page 128 3.2.2 People and communities – Central Commissioning adults with regard to the line reading** " The Council has needed to support a number of packages at an enhanced rate this year due to the large scale failure of a major provider of homecare in the last quarter of 2018" there was a request for the name of the provider. **Action Ellie Tod/ Tom Kelly**

- **Page 128 – 'Central commissioning adults'** on the query on the increase of +£0.412m on last month's position this reflected commissioning decisions on domiciliary care contracts on the amount of capacity needed heading into winter – costs had exceeded grants available. However this was on a one-off basis. Officers had expected to have other grant available to mitigate this, but pressures elsewhere had used up that grant availability.

- **Page 128 - Funding to Special Schools and Units, High Needs top Funding and out of School Tuition** as an update regarding providing top up funding to the High Needs Block due to the pressures caused by the increase in the number of pupils with Education Health Care Plans (EHCPs), the Children and Young People Committee at their meeting on 12th January had agreed, that subject to approval from the Secretary of State, to transfer 1.8% from the Schools Block to help support the increased pressures on the High Needs Block.

- **Page 132 Capital Programme paragraph 5.3** - **Place and Economy - forecast in-year capital underspend of -£17.1m** - one Member, who was also a councillor at South Cambridgeshire District Council, made the point that at that Council gross underspends in relation to the Capital Programme were seen as being as bad as an overspend and were shown on their reports as being red. In reply it was explained that overall figures obscured the fact that some capital schemes would have overspent and others underspent. General Purposes Committee for which this particular report was prepared, received the overall positions on budgets, with service committees receiving more detail on their particular service areas.

- **Balance sheet para 6.2 page 139** - there was a request that the table should also include the previous March figure before the first April figure, as if there was a change, the Committee would not know what it was. **Action: Tom Kelly**

- Cllr Rogers referencing a recent decision of the Pension Fund Committee to agree to admit to the scheme new applications from specialist schools queried how their financial viability was assessed. As this was more appropriate for Pension Fund Officers, and as he is the Chairman of the Committee, he agreed to take up his enquiry directly to Pensions officers.

It was resolved:

to note the report.

248. FORWARD AGENDA PLAN

It was resolved:

To agree the Forward Agenda Plan with the following additions:

- June 2020 Debt Management Six Monthly Update Report

249. DATE OF NEXT MEETING 24TH MARCH 2020

(Note this meeting had a published agenda but the meeting itself was cancelled due to the Covid-19 pandemic as were the two scheduled meetings in July with reports being circulated for information to the Committee who had the opportunity to take up any issues with the report authors. No reports for decision had been required to go to any of the three meetings)

CHAIRMAN
30th July 2020

Agenda Item No: 5

DRAFT ANNUAL GOVERNANCE STATEMENT 2019 - 20

To:	**Audit & Accounts Committee**
Date:	**30th July 2020**
From:	**Duncan Wilkinson, Chief Internal Auditor**
Electoral division(s):	**All**
Forward Plan ref:	**N/A** *Key decision:* **N/A**
Purpose:	**This report presents the Annual Governance Statement (AGS) for 2019-20 for consideration by the Audit and Accounts Committee, prior to sign off by the Chief Executive and the Chairman of the General Purposes Committee.**
Recommendation:	**Audit and Accounts Committee is requested to consider if the AGS published alongside the Statement of Accounts on page 234 onwards on the original page numbering of the Accounts appendix document is consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2.**

	Officer contact:
Name:	Duncan Wilkinson
Post:	LGSS Chief Internal Auditor
Email:	Duncan.Wilkinson@Milton-keynes.gov.uk
Tel:	01908 252089

1.0 PURPOSE

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

1.2 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure. Similarly its disclosures should not be mis-used which can create a 'blame culture' that in itself undermines governance.

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

2.0 BACKGROUND

2.1 The draft AGS included in Appendix A of the next report on the agenda titled 'Draft CCC Statement of Accounts 2019/20' has been compiled by staff in Internal Audit and Risk Management based upon the following sources of evidence:

- A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
- A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace *Delivering Good Governance in Local Government* Framework.
- Self-assurance statements prepared by directors;

3.0 The Annual Governance Statement

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

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

3.2 ‘Significant Governance Issues’ are those that:

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

4.0 RECOMMENDATION

4.1 The Audit and Accounts Committee is requested to consider whether the draft AGS published alongside the Statement of Accounts from page 234 is consistent with the Committee’s own perspective on internal control within the organisation and the definition of significant governance and control issues noted in paragraph 3.2 above.

Source Documents: AGS included in Appendix A report 6 on the 30th July Audit and Accounts Committee 2020 agenda titled ‘Draft CCC Statement of Accounts 2019/20’

AGENDA ITEM: 6

DRAFT CAMBRIDGESHIRE COUNTY COUNCIL (CCC) STATEMENT OF ACCOUNTS 2019/20

To:	**Audit and Accounts Committee**
Meeting Date:	**30 July 2020**
From:	**Chief Finance Officer and Deputy Chief Executive**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* ***No***
Outcome:	**This report presents the draft Cambridgeshire County Council (CCC) Statement of Accounts 2019/20. Also included are the Annual Governance Statement and Pension Fund accounts. The draft Accounts are provided as Appendix A to this report.**
Key Issues:	**The draft accounts presents the financial position of the Council as at the 31 March 2020 but are currently unaudited. The next stage is for the accounts to be audited with a final version being presented back to the Audit Committee for sign off after consideration of the external auditor's report. This is likely to be in October.**
Recommendation:	**The Audit Committee is recommended to note and comment on the draft Statement of Accounts 2019/20 presented in this report.**

	Officer contact:		***Member contact:***
Name:	Ellie Tod	Chair	Cllr M Shellens
Post:	Strategic Finance Manager		shellens@waitrose.com
Email:	Eleanor.tod@cambridgeshire.gov.uk	Vice-Chair	Cllr T Rogers
Tel:	01223 715333		Terry.Rogers@cambridgeshire.gov.uk

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.

1.3 The signing, approval and publication of the Accounts is set out in Section 9 of the Accounts and Audit Regulations 2015. The Accounts will require further certification and also approval by the Audit Committee at the conclusion of the audit; any material changes arising from the audit will be reported back to the October meeting of the Audit Committee, prior to approval. The independent auditor's report (ISA 260 report) will also be provided for the Audit Committee to consider. The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 require the audited Statement of Accounts to be completed by the deadline of 30 November 2020, which has been extended from the 31 July 2020 due to Covid-19.

2. MAIN ISSUES

2.1 This section of the report outlines some of the key matters for the Audit Committee's attention. The draft accounts were certified by the Chief Finance Officer on 19 June 2020.

Public Inspection

2.2 The Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 determine that the accounts and other related documents have to be made available for public inspection for 30 working days which must commence on or before the first working day of September 2020. The public inspection for Cambridgeshire commenced in June and will be until 3 August 2020 to ensure that there is a full 30 working days available after publication for inspection or objections.

2.3 During this period electors may also raise questions to Ernst and Young LLP (EY LLP) on the 2019/20 Statement of Accounts as part of the public inspection process.

Process for Completion

2.4 2019/20 follows on from a difficult process to complete the 2018/19 accounts, which were not finalised until 14 February 2020. This has therefore significantly shortened the period available to the closedown team to focus on preparing for the 2019/20 accounts, including implementing any changes to processes and procedures that were established as necessary following on from the first year of using the new resource system ERP Gold (Agresso) in 2018/19. However, the team has worked hard to implement the high priority changes required, including those with the most significant impact. This has resulted in some significant steps forward in the efficiency of the production process, as well as the resulting output.

2.5 Despite this progress, it was still necessary for the Council to agree a short extension of time permitted for production and review of the accounts, within the window permitted by the Regulations, up to 19 June. The main reasons for this were:

- A significantly reduced preparation time due to the late completion of the 2018/19 audit process.
- Additional time required to upload fixed asset data to the system, over that originally anticipated. Due to the repatriation of the closedown function from LGSS back to CCC, the team were performing some systems tasks that had not previously been undertaken by CCC officers. Combined with an upgrade to the ERP system, this resulted in some specific issues arising that had not been foreseen, some of which required more time consuming workarounds to be implemented, and as such delayed the process by around a week. Some of these issues need further investigation and resolution ahead of the 2020/21 process; the rest need to be documented with the various solutions in order to provide business continuity moving forward. In addition, the team will also look to pursue obtaining additional support from the Business Systems team regarding the fixed assets module.
- Despite the delays, the Council did not want to compromise on the quality of the accounts and the time available for management review.

2.6 As a result, EY agreed to commence their audit two weeks later than originally planned on the 29th June; the missing two weeks will be caught up during October (a period of time EY had set aside for contingency should any of their audits be delayed). As such, both the Council and EY still anticipate at this point that the audit will be completed and the accounts available to be signed and approved at the end of October as per the original timetable, and in compliance with the statutory regime.

The Statement of Accounts 2019/20

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

- The Narrative Statement;
- Statement of Responsibilities;
- The Core Financial Statements:
    - Comprehensive Income and Expenditure Statement (CIES);
    - Balance Sheet;
    - Movement in Reserves Statement (MIRS);
    - Cash Flow Statement;
- Notes to the Core Financial Statements;

- Group Accounts;
- Local Government Pension Scheme Accounts;
- Accounting Policies; and
- Glossary.

2.8 The Narrative Statement is 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 (there are further details in section 3 of this report).

2.9 The Core Financial Statements provide the overview in financial terms on an accounting basis of the Council's performance, financial worth, reserves and cash flow as at 31 March 2020. The highlights from the core statements can be found in the Executive Summary to the Narrative Report with more detail provided within the Narrative Report itself. Paragraphs 2.16 to 2.25 also outline some of the key highlights for the Committee's consideration.

2.10 There have been no significant changes to the accounting policies for 2019/20 – please see Appendix B for a list of changes.

2.11 There is one significant change in accounting treatment that the Committee need to be aware of. 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. 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).

Group Accounts

2.12 In addition to the Council's single entity accounts outlined above, 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.

2.13 The Council's Group Accounts consolidate the accounts of the This Land Group (comprising of This Land and all of its associated subsidiaries). These are prepared in accordance with the CIPFA Code of Practice, and comprise the following:

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

- Notes to the Group Accounts.

2.14 In essence, the consolidation within the Group Accounts removes any 'inter-company/organisation' transactions on a line by line basis. This has the effect of eliminating in full balances, transactions, income and expenses between the Council and This Land.

Highlights from the Accounts and Key Considerations

2.15 The draft Statement of Accounts 2019/20 are presented in Appendix A to this report. The following sections set out some of the more significant items in the draft accounts and provide additional commentary.

General Fund Reserves and Earmarked Reserves

2.16 For the year ended 31 March 2020 the Council experienced a revenue budget pressure of £0.2m which required a draw down from the General Fund and Earmarked reserves of £0.2m to balance the financial position for 2019/20. The Council has a strategy which is applied to restore the General Fund reserve to its planned level as part of its annual business planning process.

2.17 The Council's Earmarked Reserves (that is reserves set aside for a specific purpose) increased by £12.4m during the year to £76.5m as at the 31st March 2020.

Balance Sheet

2.18 The Council has Net Assets as at 31st March 2020 of £705.0m.

2.19 The net asset position is predominantly due to the value of long-term assets at £2,082.2m, and within that the value of Plant, Property and Equipment is £1,759.5m. Current assets total £143.4m.

2.20 The Council's liabilities (both current and long-term) total £1,520.5m with the largest components both being long-term liabilities related to the Pension Fund liability (£486.6m) and long-term borrowing (£592.4m).

2.21 The sum of the total assets and total liabilities provides the net asset position of the Council which is matched by the total reserves comprising Usable Reserves of £141.4m and Unusable Reserves of £563.7m.

Pension Fund liability

2.22 The pension liability calculated by the actuary has decreased by £126.5m in 2019/20.

2.23 Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the

Actuarial Liability makes allowance for projected earnings, providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liability is therefore outside the control or influence of the Council and is reported in accordance with International Accounting Standard 19 – Employee benefits.

2.24 Movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves.

Audit Fees

2.25 EY have reported that additional fees have been incurred for the audit of the 2018/19 accounts, prior to the commencement of the value for money work (see below). For 2019/20, EY have also presented a significant proposed increase in fee above the scale published by the Public Sector Audit Appointments (PSAA), principally related to an increase in audit risk (across local government) and an increase in regulatory requirements. The Council is considering its position in relation to these costs. For the most part, these relate to sector wide issues; the Redmond review of local authority financial reporting and external audit is ongoing.

Outstanding matters relating to previous years of account

2.26 One objection to the accounts in 2016/17, one objection to the accounts in 2017/18, and the value for money opinion on the accounts in 2017/18 are currently not concluded. These are matters for the previous auditor, BDO LLP. As reported at the January 2020 meeting of this Committee, the Committee's Chairman had written to BDO's East Anglia Office, which was responsible for the CCC audit, formally in November 2019 (link in source documents below). This letter was briefly acknowledged in December 2019. As far as the Council is aware BDO have not undertaken any further fieldwork on these matters during 2020. Since February the Chairman has attempted to raise concern about the delay further with the London headquarters of BDO on a number of occasions. The Council has also notified PSAA, who appoint CCC's auditor and ensure quality and effective audit nationally, about the delay in May 2019, November 2019 and July 2020. We understand that PSAA have in turn requested that BDO provide an update on progress and timescales.

2.27 In relation to 2018-19, there is one objection and the value for money opinion that are yet to be concluded. These are matters for EY to consider, and the Council understands that EY assess that progress is required with the preceding year's work by BDO before this can substantially move forward.

3. GOING CONCERN AND IMPACT OF THE PANDEMIC

3.1 The concept of a *'going concern'* assumes that the Council, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins these accounts drawn up under the Local Authority

Code of Accounting Practice. The Code presumes a going concern basis because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies. External Auditors to public sector bodies are required by the Financial Reporting Council to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern.

3.2 This year, as a result of the Covid-19 pandemic meaning that the large parts of the economy are facing heightened financial risks and difficulties, the Council anticipates additional attention towards the going concern presumption. This is consistent with accounting standards and will be commonplace across many different types of entity subject to statutory audit.

3.3 The Council is continually assessing the impact of Covid-19 on our future finances and has prepared the draft accounts as a going concern. In the next sections we provide in outline form the considerations relevant to our assessment; we fully expect to be able to confirm this in detail and for not less than the twelve months ahead of the date on which audited financial statements are ready for signature. Similar information will form the basis of an additional disclosure note to be included within the final accounts to address going concern, should this prove necessary. This is supplementary to the detail already included in the narrative statement describing the impact on Services and some of the financial consequences known in mid-June.

3.4 **Financial consequences of the pandemic** – the Council has responded to all of the requested reporting returns convoked by the Ministry of Housing, Communities & Local Government (MHCLG) and also regularly reported to Members through Committees. Further to the Narrative Statement description, details of the Council's latest assessment of the in-year financial consequences are summarised on pages 24 and 25 of the agenda papers for the July meeting of the General Purposes Committee (GPC) available at - https://cambridgeshire.cmis.uk.com/ccc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1405/Committee/2/Default.aspx . This sets out that:

- Additional spending / commitments as a result of the pandemic could amount to £35.9m, with £21.9m of this within Adult Social Care
- Income is expected to be £9.2m lower than budget, with this principally in Highways and Education, with some impact on Commercial budgets.
- Achievement of savings planned at the beginning of the year will be lower than expected, by as much as £7m
- The Council is scheduled to receive a number of funding streams to mitigate this position, including from the NHS and through ringfenced grants for Infection Control, Active Travel and Test & Trace.
- Unringfenced funds from MHCLG amount to £29.8m (a £3.7m increase since the July GPC report following the most recent announcement).
- This would leave an unfunded deficit of financial consequences in excess of grant funding of £9m. However, further support has recently been announced for reduced levels of sales, fees and charges which

has not yet been calculated. Additionally, internal forecasts based on actual spending suggest demand has not increased on Social Care to the extent projected, suggesting the anticipated increases are still in the future.

3.5 To date, central government financial support to the sector has been announced incrementally. Our in-year estimates at this stage do not anticipate a “second peak” of the virus, were this to occur, and in any case, the Council would expect there to be further government support. On this basis we view there are reasonable grounds to expect the 2020/21 Outturn position should not worsen significantly. Looking further ahead, the policy announced by government that impacts of the pandemic on local taxation can be handled across three years is also likely to prove helpful in smoothing the financial impact of the crisis.

3.6 **Liquidity and cashflow:** Since March, the Council has adopted a defensive position in terms of cash management in case of a tightening of funds available to local authorities. Healthy cash balances are evident in the financial statements with note 28 illustrating an increase in cash and cash equivalents of more than £27m as at March 2020 compared to a year earlier. In actuality the Council has continued to meet its cashflow needs without difficult and has refinanced all loans due for maturity through to November 2020. Grant income from government has increased and precept income from District Councils has continued without interruption (as collection risks remain with billing authority in the year of receipt). There also continues to be significant internal borrowing (meeting capital investment needs from surplus cash) indicating secure working capital and reserve balances.

3.7 **Underlying financial position and balance sheet:** Prior to the full extent of the pandemic, the financial results for the year ending 31 March 2020, were the most favourable for at least three years: the year-end overspend for 2019/20 was just £0.2m (see paragraph 2.16); robust plans were in place for savings in 2020/21 and budgetary projections were broadly on track for both children’s and adults social care and unidentified savings for 2021/22 amounted to £4m. The Council has a strong balance sheet with an upcoming capital receipt expected from the Cambs 2020 programme in relation to Shire Hall, and numerous other assets, including a large farms estate. There is a reasonable provision for doubtful debts, an adequate general fund reserve of £18m and funds earmarked for transformation (that could be re-allocated in an emergency) of over £20m.

3.8 **Projected financial position and planning:** The future outlook is uncertain and has worsened significantly since Full Council set the budget in February. In particular the comprehensive spending review and the funding reforms which the Council hopes will recognise historic underfunding of the County has been further delayed. Prudently however, the Council had not included any favourable upside from funding reform in its Medium Term Financial Strategy (MTFS) assumptions. There is also scope available to Members, within the MTFS assumptions, to increase the Council tax planned in future years above the baseline of an Adult Social Care (ASC) precept only. The

Business Planning process has begun for 2021/26 adopting a scenarios based approach to aid services in structuring different budgetary projections and demands given current unknowns. In a simplistic and pessimistic scenario, were no further government funding to be announced, the unfunded deficit could more than double in size and still be funded from a re-allocation from the transformation fund before troubling the general fund balance in-year.

3.9 **Governance, regulatory and control environment:** these arrangements are set out in more detail in the Annual Governance Statement. The Joint Management Team Gold Command Structure referred to in the Narrative Report continues and through the well embedded Committee system there is regular reporting of and challenge to financial projections, meaning that issues should be detected early and subject to management action where additional budgetary controls are required.

4. NEXT STEPS

4.1 The importance of the Statement of Accounts to the authority is high and although it is a historical backward facing document, the closing of the accounts is vital to the financial planning process as it confirms the starting position for the 2020/21 financial year.

4.2 The audit fieldwork commenced on 29 June 2020 by EY LLP. Assuming the audit progresses to plan and there are no significant issues identified it will conclude in EY issuing an opinion on the Statement of Accounts and certification that the final document presents fairly the financial position of Cambridgeshire County Council for the year ending 31 March 2020.

4.3 A further update on the status of the audit will be provided at the Committee meeting itself.

Source Documents	**Location**
Draft Statement of Accounts 2019-20 and Public Inspection Notice BDO Letter (A&AC January 2020)	Council Website Meeting Documents Link (Appendix C)

Cambridgeshire County Council

APPENDIX A

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

DRAFT – SUBJECT TO AUDIT

Contents

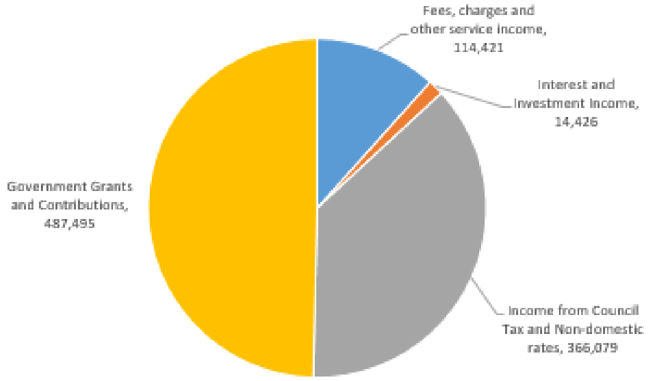
Contents

Narrative Report

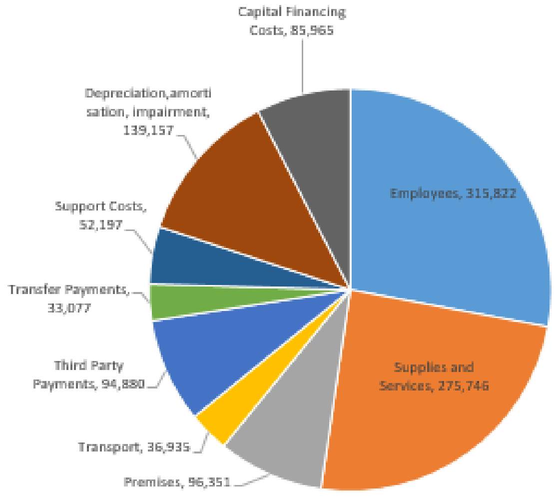
Some of the key numbers for the reader to note are that:

2018-19 Net Expenditure (+) / Income (-) £000		2019-20 Net Expenditure (+) / Income (-) £000
375,071	Cost of services	539,903
111,489	Other operating income and expenditure including financing and investment income and expenditure	77,959
-402,571	Taxation and non specific grant income	-470,153
-62,821	Other comprehensive income and expenditure	-125,972
21,168	Total comprehensive income and expenditure	21,737

Breakdown of £982m of Income (£000)



Breakdown of £1,130m of Expenditure (£000)



31-Mar-19 £000		31-Mar-20 £000
2,083,610	**Long Term Assets**	2,082,179
1,877,694	including property, plant and equipment	1,759,488
145,539	**Current Assets**	143,388
119,750	including short term debtors	92,303
-287,614	**Current Liabilities**	-294,747
-170,871	including short term borrowing	-175,433
-111,283	including short term creditors	-116,851
-1,214,750	**Long Term Liabilities**	-1,225,773
-430,687	including long term borrowing	-592,434
-613,107	including pensions liabilities	-486,581
726,785	**Net Assets**	705,047
124,562	Usable reserves	141,393
602,223	Unusable reserves	563,655
726,785	**Total Reserves**	705,048

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.

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 draft form 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 over £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 over £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 in order 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 at: https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/business-plan-2020-to-2021

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 our website using the following link: https://www.cambridgeshire.gov.uk/council/finance-and-budget/finance-&-performance-reports/

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 in order 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	Year End Position
£384.1m	Revenue Budget	Variance (£m)	+£0.2m
-	Key Performance Indicators	Number at target (%)	53% (41 of 77)
£351.4m	Capital Programme	Variance (£m)	-£83.8m
-	Balance Sheet Health	Net borrowing activity (£m)	£693m

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: after a number of acquisitions in 2019-20 the Council is not intending to purchase further commercial properties in the near future, however an investment in a multi-class credit pooled fund to increase the diversity and liquidity of medium-term assets was intended, subject to market conditions and technical advice. This was ongoing as at the balance sheet date, therefore the investment had not yet been made.
- 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, except for the multi-class credit investment, represent slippage with expenditure now expected to occur during 2020-21, or beyond.

Narrative Report

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.

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 May 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.)

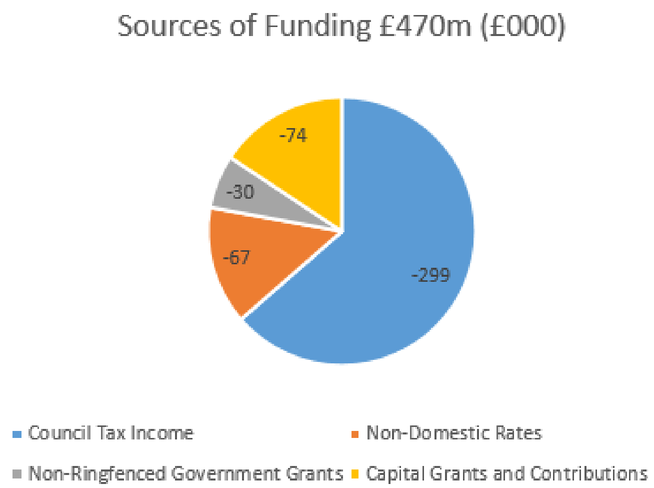
Crucially, in terms of revenue budgetary control and in contrast to recent years, the number of children in care has decreased and significant work has continued to reduce high cost placements. Although this is evident in the improved outturn results for Children & Safeguarding, the placement market 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 64). 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 extreme 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 £451m as shown below:



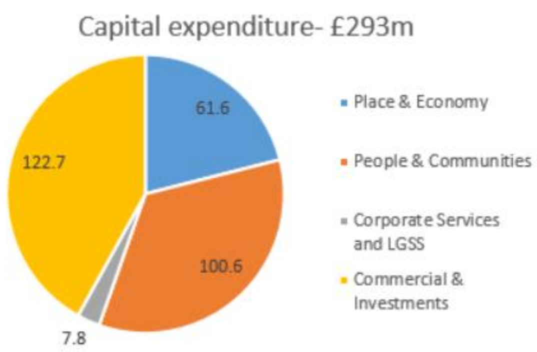
The Council's gross income also includes specific government grants, charges from fees, income from sales, and partnership funding from other public sector bodies. The scale of this income is outlined in the Comprehensive Income and Expenditure Statement (page 39).

Capital spending and financing

The Council’s adjusted capital budget for the year was £348.8m plus £30.8m Greater Cambridge Partnership budget. Actual capital expenditure financed from capital resources for the year was £292.8m, leaving £86.8m 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).

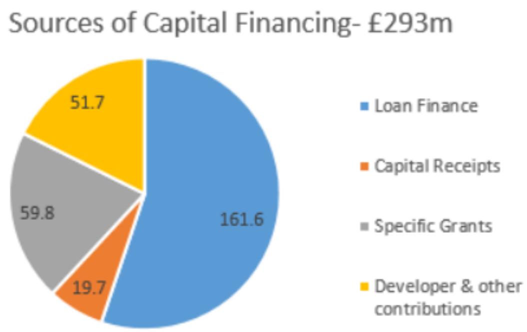
The expenditure on Housing Schemes relates to the loans made to This Land, and this reduced level of expenditure reflects the level of progress through planning and construction undertaken by the Company. The King’s Dyke scheme is being retendered with savings anticipated in 2020-21 compared to the original budget. 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 yield-bearing assets. 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 £21.7m, to £705.0m, 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 £563.7m (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). The usable reserves have increased in-year by £16.8m from £124.6m to £141.4m, largely for intended purposes including capital financing (see Note 40 and Note 19) and the unusable reserves have decreased by

£38.6m from £602.2m to £563.7m, mainly as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account (see Note 21).

A proportion of the Council's usable reserves (specifically the General Fund and Earmarked Reserves) provide the organisation with vital flexibility when faced with uncertainty and risk. At 31 March 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, a £25.4m transformation fund which will be used for proposals to generate further savings in future years (£9.8m is uncommitted at 31 March 20), 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 1st April 2019	76.9
General Fund	4.8
Schools Carry Forwards	(6.9)
Other Earmarked Reserves	19.3
Balance at 31st 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. The £27.7m movement at 31 March 2020 reflected the increase in long term borrowing.

During 2019-20, the net assets of the Council and its Balance Sheet value, decreased by £21.7m (a 3.0% reduction) from an opening balance of £726.8m to a closing balance of £705.0m at 31 March 2020. The material items which caused this net decrease were property revaluation losses of £130.7m and an increase in borrowing of £166.3m, partially offset by purchases of investment properties for £103.4m, a reduction in liabilities relating to capital grants and contributions received in advance of £20.0m and a fall in the net pension liability of £126.5m.

External borrowing and investment

Total debt outstanding at 31 March 2020 was £767.9m (consisting of £592.4m long-term borrowing and £175.4m short-term borrowing), which was well within the CFR Limit of £1,008.0m determined in accordance with legislation. Long-term borrowing increased by £161.7m during the year and short-term borrowing increased by £4.6m.

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.

The Hub has details of around 10,500 'shielded' people - in the most vulnerable categories who have been asked to self-isolate for 12 weeks - 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 and city, some independently and some with the support of 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 www.connectingcambridgeshire.co.uk.

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 www.lightbluefibre.co.uk 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 www.greatercambridge.org.uk

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.

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 www.this-land.co.uk

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.

The Combined Authority's website is at: www.cambridgeshirepeterborough-ca.gov.uk

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 short-term however, the Covid-19 pandemic may result 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.

During 2019-20, construction began of the Council's new civic headquarters at Alconbury Weald, 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.

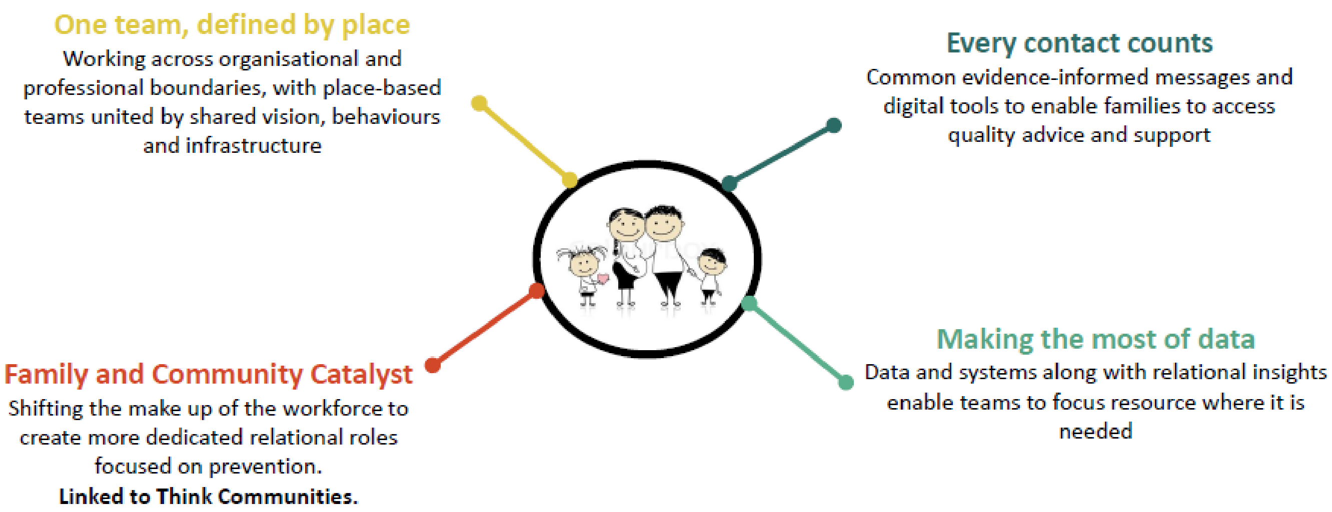
Adults Positive Challenge (APC) Programme

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.

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 £486.6.m at 31 March 2020. Pension contributions of £32.9m were made during 2019-20, with the pension liability reducing by £202.8m (largely as a result of changes to the actuarial financial assumptions), partially offset by the value of the Fund’s assets decreasing by £76.2m. Overall this has resulted in a £126.5m 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, in order 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 at the following link:

https://www.cambridgeshire.gov.uk/council/communities-&-localism/equality-and-diversity/

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 31)

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 33)

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 39)

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 presentation of this statement changed in 2016-17, due to a change within the CIPFA Code, so the cost of services is now displayed based upon the Council's directorate structure.

The net cost of services for 2019-20 across the Council's directorates was £539.9m. 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 £147.7m.

Movement in Reserves Statement (MIRS) (page 40)

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 £38.6m, largely as a result of technical accounting adjustments impacting upon the Pensions Reserve, Revaluation Reserve and Capital Adjustment Account.

Balance Sheet (page 41)

The Balance Sheet presents the value of the Council's current and non-current assets and liabilities as at 31st 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 from £1,877.7m as at 31st March 2019 to £1,759.5m as at 31st March 2020, an increase of £97.3m in investment property from £43.5m as at 31st March 2019 to £140.8m as at 31st March 2020, an increase of £8.3m in long-term debtors from £122.8m as at 31st March 2019 to £131.2m as at 31st March 2020, a decrease in short-term debtors of £27.4m from £119.8m as at 31st March 2019 to £92.3m as at 31st March 2020, an increase of £27.7m in cash and cash equivalents from £21.5m as at 31st March 2019 to £49.1m as at 31st March 2020, an increase of £161.7m in long-term borrowing from £430.7m as at 31st March 2019 to £592.4m as at 31st March 2020, and a decrease of £131.3m in other long-term liabilities from £725.8m as at 31st March 2019 to £594.6m as at 31st March 2020.

Cash Flow Statement (page 42)

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 which the Council owes money to) 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 purchase of property, plant and equipment increased by £52.5m from £163.6m as at 31st March 2019 to £216.1m as at 31st March 2020, proceeds from the sale of property, plant and equipment decreased by £51.8m from -£65.3m as at 31st March 2019 to -£13.5m as at 31st March 2020, and the net movement on cash receipts and repayments of short and long-term borrowing increased by £59.0m from -£106.7m as at 31st March 2019 to -£165.7m as at 31st March 2020.

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

Expenditure and Funding Analysis (page 49)

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 £164.9m. 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 6 to the accounts.

Notes to the core financial statements (page 43)

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 143)

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 234 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 expected to require 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. 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 in order to create the capacity needed to free up hospital beds, and paying a temporarily enhanced rate for care to support provider resilience.

Within Children's Services a number of changes in practice that were needed in order to respond to the current situation 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 from a range of services and as the next phase begins with schools re-opening this support will increase to ensure schools are as well informed and supported as possible during the transition period.

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 reported on a weekly basis to the Joint Management Team (JMT), alongside business cases and financial challenge. JMT acts as the "gold" strategic coordinating group for the Council's response to the pandemic. The Council has applied for NHS reimbursement for support to hospital discharge from the CCG, which for April 2020 amounted to around £1.3m and is expected to rise in coming months. The Council has received £26.1m extra funding in the form of unringfenced grants from MHCLG to cover the increased costs relating to the Covid-19 response, but this is not currently expected to cover the total forecast financial impacts of the pandemic. The Council has submitted 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. Service Committees and the General Purposes Committee are receiving an update on the pandemic, including the financial consequences, at each meeting.

The government has announced further specific ring-fenced funding streams via local government, 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 lockdown is gradually eased during the coming months, the impacts will continue to be monitored and recovery plans will be put in place to ensure the safety of citizens and the financial security of the Council. In order to respond to these challenges, for 2021-22, our existing business planning process will be 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 will model a range of scenarios projecting varying levels of disruption due to Covid-19. We will apply these scenarios across key areas of demand and income, engaging with our services in order to understand the likely impacts on service provision. This will allow the Council to develop measured, strategic plans to balance the budget in each scenario. As we progress through the coming year, we will closely monitor the local and national outlook in order to understand the budget trajectory. This will enable us to implement the most appropriate range of measures to balance the budget for 2021-22.

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 Council's website or Corporate Finance:

Address:	OCT1114, Shire Hall,	Telephone:	0345 045 5200
	Cambridge,	Email:	finance@cambridgeshire.gov.uk
	CB3 0AP	Web:	www.cambridgeshire.gov.uk/council/finance-and-budget/

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.

Statement of Responsibilities, Certificate and Approval of Accounts

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 2019 and its income and expenditure for the year 2018-19 and authorise the accounts for issue.

Chris Malyon
Chief Finance Officer
Date: 19th June 2020

APPROVAL OF ACCOUNTS

I confirm that these accounts were approved by the Council at the meeting of the Audit and Accounts Committee held 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 have been submitted for audit and will be considered by the audit and accounts Committee in July 2020.

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Core Financial Statements

Cambridgeshire County Council

Comprehensive Income and Expenditure Statement

Cambridgeshire County Council

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		105,570	-37,414	**68,156**
699,078	-402,004	**297,074**	People & Communities		834,398	-407,351	**427,047**
26,555	-26,023	**532**	Public Health		27,659	-27,380	**279**
27,663	-7,315	**20,348**	Corporate Services & LGSS Managed		29,110	-5,682	**23,428**
24,164	-16,106	**8,058**	Commercial & Investment		23,622	-12,395	**11,227**
21,043	-9,565	**11,478**	LGSS Operational		17,387	-7,621	**9,766**
907,987	**-490,928**	**417,059**	**Cost of Services**		**1,037,746**	**-497,843**	**539,903**
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	56,358	-14,426	**41,932**
0	-451,314	**-451,314**	Taxation and non specific grant income	11	0	-470,153	**-470,153**
		-9,169	**Surplus (-) or Deficit (+) on Provision of Services**				**147,708**
		-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			**449**
		85,952	Remeasurement of net pension benefit/liability	36			**-166,616**
		34,448	**Other Comprehensive Income (-) and Expenditure (+)**				**-125,972**
		25,279	**Total Comprehensive Income (-) and Expenditure (+)**				**21,736**

The purpose of this statement is explained in the Narrative Report (page 24).

Movement in Reserves Statement

Cambridgeshire County Council

	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	-147,708	0	0	-147,708	125,972	-21,736
Adjustments between accounting and funding basis under regulations (note 18)	164,929	-8,783	8,394	164,540	-164,540	0
Increase (+) or decrease (-) in 2019-20	**17,221**	**-8,783**	**8,394**	**16,832**	**-38,568**	**-21,736**
Balance at 31-Mar-20	**94,139**	**11,632**	**35,622**	**141,393**	**563,656**	**705,049**

* General Fund balances include earmarked reserves

The purpose of this statement is explained in the Narrative Report (page 24).

Balance Sheet

Cambridgeshire County Council

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	17,817
122,832	Long term debtors	24	131,177
2,083,610	**Long Term Assets**		**2,082,179**
325	Short term investments	25	410
3,232	Assets held for sale	22	745
773	Inventories		793
119,750	Short term debtors	27	92,303
21,459	Cash and cash equivalents	28	49,137
145,539	**Current Assets**		**143,388**
-170,871	Short term borrowing	25	-175,433
-111,283	Short term creditors	29	-116,849
-2,455	Provisions		-2,317
-3,005	Capital grants and contributions received in advance	31	-146
-287,614	**Current Liabilities**		**-294,745**
-6,184	Provisions		-6,670
-430,687	Long term borrowing	25	-592,434
-725,827	Other long term liabilities	30	-594,567
-52,052	Capital grants and contributions received in advance	31	-32,102
-1,214,750	**Long Term Liabilities**		**-1,225,773**
726,785	**Net Assets**		**705,049**
124,562	Usable reserves	20	141,393
602,223	Unusable reserves	21	563,656
726,785	**Total Reserves**		**705,049**

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: 19th June 2020

Cash Flow Statement

The purpose of this statement is explained in the Narrative Report (page 25).

2018/19 £000		2019/20 £000
-9,169	**Net Surplus (-) or Deficit (+) on the Provision of Services**	**147,708**
-38,544	Depreciation	-39,266
-6,351	Impairment and downward valuations	-92,406
-1,690	Amortisation	-1,396
13,844	Increase(-)/Decrease in Creditors	-15,161
64,875	Increase/Decrease (-) in Debtors	-19,043
-87	Increase/Decrease (-) in Inventories	-20
-20,047	Movement in Pension Liability (difference between employer's contributions paid and IAS19 adjustments)	-40,090
-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	-11,770
-40,498	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-268,302**
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	73,790
-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**	**83,571**
60,528	**Net Cashflows from Operating Activities**	**-37,023**
163,553	Purchase of Property, Plant and Equipment	216,094
12,566	Purchase of short-term and long-term investments	115,609
19,813	Other payments for investing activities	10,076
-7,217	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	-50,850
-6,887	Other receipts from investing activities	-15,040
28,764	**Investing Activities**	**152,358**
-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 25).

03. Notes to the Statements

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 £23m 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. 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 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 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 25 and 26 below.	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.
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%).

5. EVENTS AFTER THE BALANCE SHEET DATE

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

'Non-adjusting' Events after The Balance Sheet Date

Schools converting to Academy status

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

A further 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.

Cambridgeshire County Council

6. 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	33,424	**68,156**
224,195	72,879	**297,074**	People & Communities	275,620	151,427	**427,047**
436	96	**532**	Public Health	92	187	**279**
90,699	-70,351	**20,348**	Corporate Services & LGSS Managed	39,944	-16,516	**23,428**
4,256	3,802	**8,058**	Commercial & Investment	6,710	4,517	**11,227**
9,250	2,228	**11,478**	LGSS Operational	4,578	5,188	**9,766**
375,613	**41,446**	**417,059**	**Net Cost of Services**	**361,676**	**178,227**	**539,903**
-372,345	-53,883	**-426,228**	Other Income and Expenditure	-378,897	-13,298	**-392,195**
3,268	**-12,437**	**-9,169**	**Surplus (-) or Deficit**	**-17,221**	**164,929**	**147,708**
-80,187			Opening General Fund Balance at 31 March	-76,919		
3,268			Plus: Surplus on General Fund Balance In Year	-17,221		
-76,919			**Closing General Fund Balance at 31 March**	**-94,140**		

7. 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	4,261	20	**33,424**
People & Communities	132,120	17,360	1,947	**151,427**
Public Health	0	180	7	**187**
Corporate Services & LGSS Managed	-15,415	-1,185	84	**-16,516**
Commercial & Investment	3,211	1,312	-6	**4,517**
LGSS Operational	1,998	3,154	36	**5,188**
Net Cost of Services	**151,057**	**25,082**	**2,088**	**178,227**
Other Income and Expenditure	-32,084	15,009	3,777	**-13,298**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**118,973**	**40,091**	**5,865**	**164,929**

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 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.

8. 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	315,822
509,936	Other Services Expenses	588,861
101,473	Depreciation,amortisation, impairment	139,157
44,456	Interest Payments	50,264
391	Precepts and Levies	407
0	Loss on the disposal of assets	35,619
957,662	**Total Expenditure**	**1,130,130**
	Income	
-99,106	Fees, charges and other service income	-114,421
-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	-487,496
-966,831	**Total Income**	**-982,422**
-9,169	**Surplus (-) or Deficit (+) on the Provision of Services**	**147,708**

9. 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**

10. 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	35,255
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**	**41,932**

11. 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	-73,790
-451,314	**Total**	**-470,153**

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 (£41.5m).

12. 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).

Comprehensive Income and Expenditure Statement Supporting Notes

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.

13. 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).

14. 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 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**

Comprehensive Income and Expenditure Statement Supporting Notes

	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**

15. TERMINATION BENEFIT

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 14 above for the number of exit packages and total cost per band that has been paid during the year.

16. 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
72		**72**

17. 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:

Comprehensive Income and Expenditure Statement Supporting Notes

2018-19 Central Expenditure £000	2018-19 Individual Schools Budget (ISB) £000	2018-19 Total £000		2019-20 Central Expenditure £000	2019-20 Individual Schools Budget (ISB) £000	2019-20 Total £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.

18. 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	-36,427	0	0	36,427
Revenue Expenditure funded from Capital under Statute	34,320	0	0	-34,320
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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)	-17,422	0	0	17,422
Capital expenditure charged against the general fund balance	-1,619	0	0	1,619

Movement In Reserves Statement Supporting Notes

Cambridgeshire County Council

	£000	£000	£000	£000
Other Adjustments				
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	-28,969	28,969
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	73,031	0	0	-73,031
Employer's pension contributions and direct payments to pensioners payable in the year	-32,941	0	0	32,941
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	**164,929**	**-8,783**	**8,394**	**-164,540**

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	-128,096	0	0	128,096
Revenue Expenditure funded from Capital under Statute	48,196	0	0	-48,196
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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	28,321	0	-28,321	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	5,488	-5,488

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**

19. 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**	-10,590	29,128	**44,427**
Total	**66,791**	**-31,523**	**28,796**	**64,064**	**-30,364**	**42,778**	**76,478**

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 17 (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, in actuality, 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.

20. 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 18 and 19 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 19;
- **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 40).

21. 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	568,668
-1,851	Financial instruments adjustment account	-2,346
-613,107	Pensions reserve	-486,581
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		**563,655**

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 18 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	36,427
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	17,422
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**	**568,668**

Movement In Reserves Statement Supporting Notes

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	166,616
-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	-73,031
32,499	Employer's pensions contributions and direct payments to pensioners payable in the year	32,941
-613,107	**Balance at 31st March**	**-486,581**

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**

Balance Sheet Supporting Notes

22. 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

Cambridgeshire County Council

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**

Cambridgeshire County Council

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 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).

Cambridgeshire County Council

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**

23. 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.

24. 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	13,078
122,832		**131,177**

25. 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	13,372	0	0
Financial assets at amortised cost	1,937	4,445	325	410
Total investments	**12,660**	**17,817**	**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	131,177	110,067	81,906
Total debtors	**122,832**	**131,177**	**110,067**	**81,906**
Borrowings:				
Financial liabilities at amortised cost	-430,687	-592,434	-170,871	-175,433
Total borrowings	**-430,687**	**-592,434**	**-170,871**	**-175,433**
Other liabilities:				
Other liabilities	-112,720	-107,986	-94,539	-91,124
Total other liabilities	**-112,720**	**-107,986**	**-94,539**	**-91,124**

Balance Sheet Supporting Notes

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	35,255	0	0	**35,255**
Total expense in Surplus (-)/ Deficit on the Provision of Services	**35,255**	**0**	**0**	**35,255**
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	449	**449**
Total income and expenditure in Other Comprehensive Income and Expenditure	**0**	**0**	**449**	**449**
Net gain (-) / loss for the year	**35,255**	**-9,721**	**449**	**25,983**

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.

Balance Sheet Supporting Notes

Fair value hierarchy for financial liabilities

	31-Mar-19 Total Carrying amount £000	31-Mar-19 Fair value £000	31-Mar-20 Total Carrying amount £000	31-Mar-20 Fair value £000
PWLB borrowing	-274,757	-346,513	-381,430	-424,794
Non-PWLB borrowing	-326,801	-356,644	-386,437	-410,949
Short term creditors/payables	-89,896	-89,896	-86,390	-86,390
Short term finance lease & PFI liability	-4,643	-4,643	-4,734	-4,734
Long term finance lease & PFI liability	-112,720	-112,720	-107,986	-107,986
Total financial liabilities	**-808,817**	**-910,416**	**-966,977**	**-1,034,853**

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.

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	81,906	81,906
Long-term debtors	122,832	122,832	131,177	131,177
Total financial assets	**254,358**	**254,358**	**262,220**	**262,220**
Long Term Equity Investments	10,723	400	13,372	13,914
Financial assets through other comprehensive income (FVOCI)	**10,723**	**400**	**13,372**	**13,914**

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.

26. 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.

Balance Sheet Supporting Notes

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.

Cambridgeshire County Council

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.

Cambridgeshire County Council

27. 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	7,860
119,750	**Total Short Term Debtors**	**92,303**

28. 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.

Balance Sheet Supporting Notes

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
Cash held by the Council	2,143	10,013
Cash equivalents	19,316	39,124
	21,459	**49,137**

29. SHORT-TERM CREDITORS

31-Mar-19 £000		31-Mar-20 £000
-71,041	Trade creditors	-66,058
-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	-4,734
-7,869	Other	-4,126
-111,283	**Total Short Term Creditors**	**-116,849**

30. 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	-486,581
-77	Long term finance lease (non-PFI)	-77
-112,643	Long term finance lease (PFI)	-107,909
-725,827		**-594,567**

31. 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	42,467
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	8,406
103,099	**Credited to taxation and non specific grant income**	**104,074**

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	25,547
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
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)	2,240
2,145	Adult education budget block grant	2,033
39,027	Other contributions	33,649
24,456	Other grants	8,348
391,822	**Total Credited to services**	**383,422**
494,921	**Grant Total**	**487,496**

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**

Balance Sheet Supporting Notes

32. 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	-65,395
-2,946	Direct revenue contributions	-1,619
	Sum set aside from revenue:	
-16,867	MRP/loans fund principal	-17,422
91,017	**Increase in Capital Financing Requirement**	**152,019**
	Explanation of movements in year:	
91,017	Increase in underlying need to borrowing (unsupported by government financial assistance)	152,019
91,017	**Increase in Capital Financing Requirement**	**152,019**

33. 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 34)):

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 MLP £000	31-Mar-19 FLL £000		31-Mar-20 MLP £000	31-Mar-20 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**

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 MLP £000	31-Mar-19 FLL £000		31-Mar-20 MLP £000	31-Mar-20 FLL £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**

34. 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

Balance Sheet Supporting Notes

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:

	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.

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
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	-1,765	-138
-41,466	Long term finance lease liability	-39,701	1,765
	Reserves		
1,527	Capital Adjustment Account (Depreciation and Debt Provision)	909	-618

Balance Sheet Supporting Notes

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	1,765	3,869	**8,015**
Within 2 to 5 years	11,344	2,375	5,784	13,456	**32,959**
Within 6 to 10 years	15,323	3,571	10,761	13,734	**43,389**
Within 11 to 15 years	16,655	3,449	17,077	8,942	**46,123**
Within 16 to 20 years	4,391	0	6,079	1,527	**11,997**
Total	**50,094**	**9,395**	**41,466**	**41,528**	**142,483**

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	-1,627
43,094	**Balance outstanding at end of year**	**41,467**

Balance Sheet Supporting Notes

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.

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

Balance Sheet Supporting Notes

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**

35. 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)

36. 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.

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 143-198. 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:

Balance Sheet Supporting Notes

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	61,464
5,540	Past service cost	209
-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**	**73,031**
	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)	95,734
0	Actuarial gains (-) and losses (+) arising on changes in demographic assumptions	-37,111
125,370	Actuarial gains (-) and losses (+) arising on changes in financial assumptions	-138,251
132	Other actuarial remeasurement experience	-86,988
138,498	**Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement**	**-93,585**
	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	40,090
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year:	
-32,499	**Employers' contributions payable to scheme**	**-32,941**
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	-1,496,211
1,085,857	Fair value of plan assets	1,009,629
-613,107		**-486,582**

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	26,015
	Remeasurement gains (+) or losses (-):	
39,551	Return on plan assets (excluding the amount included in the net interest expense)	-95,734
-11,010	Effect on settlements	-2,489
32,499	Contributions from employer	32,941
8,193	Contributions from employees into the scheme	8,634
-41,578	Benefits paid	-45,594
1,085,857		**1,009,630**

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	61,464
40,966	Interest cost	41,024
8,193	Contribution by scheme articipants	8,634
	Remeasurement gains (-) or losses (+):	
0	Arising from changes in demographic assumptions	-37,111
125,370	Arising from changes in financial assumptions	-138,251
132	Other	-86,988
5,540	Past service costs (including curtailments)	209
-41,578	Benefits paid	-45,594
-28,210	Liabilities extinguished on settlements	-6,140
1,698,964		**1,496,211**

Balance Sheet Supporting Notes

Local Government Pension Scheme assets comprise:

2018-19 £000		2019-20 £000
13,447	Cash and Cash Equivalents	12,830
82,216	Private equity	71,990
26,936	Debt securities (bonds) - Government	45,006
	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	663,873
100,906	Bonds	69,081
45,196	Infrastructure	77,824
80,550	Other	0
834,938		810,778
	Derivatives:	
0	Inflation	0
0	Interest rate	0
0	Foreign exchange	0
0	Other	153
0		153
	Property:	
0	UK	68,860
0	Overseas	12
0		68,872
1,085,857		**1,009,629**

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:**	**%**
3.5	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	141,602
0.5% increase in salary rate	8,855
0.5% increase in pension increase rate	131,944

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.

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.

37. 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%**	**72,584**
211,085	10 years and above	0 – 100	**37%**	**287,831**
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.

38. 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 8 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 but does not make decisions or have any involvement with which facilities children are placed at.

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.

Other Supporting Notes

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.

Other Supporting Notes

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. The Council's Section 151 Officer is a Non-executive Director on the Board of CCB for which CCB paid £52k in 2019-20 to the Council. 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 132).

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.

39. 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.

40. 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, while the ones held in the archives store at Huntingdon were valued at £4.3 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.

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.

Other Supporting Notes

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.

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	105,570	-37,414	**68,156**
699,078	-402,004	**297,074**	People and Communities	834,398	-407,351	**427,047**
26,555	-26,023	**532**	Public Health	27,659	-27,380	**279**
27,663	-7,315	**20,348**	Corporate Services & LGSS Managed	29,110	-5,682	**23,428**
27,924	-16,106	**11,818**	Commercial & Investments	23,632	-259	**23,373**
21,043	-9,565	**11,478**	LGSS Operational	17,387	-7,621	**9,766**
911,747	**-490,928**	**420,819**	**Cost Of Services**	**1,037,756**	**-485,707**	**552,049**
391	-16,009	**-15,618**	Other operating expenditure	36,028	0	**36,028**
49,284	-8,580	**40,704**	Financing and investment income/ expenditure	62,821	-14,487	**48,334**
0	-451,314	**-451,314**	Taxation and Non-Specific Grant Income	0	-470,153	**-470,153**
		-5,409	**Surplus (-) or Deficit on Provision of Services**			**166,258**
		-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			**449**
		85,952	Re-measurement of net pension benefit/ liability			**-166,616**
		34,448	**Other Comprehensive Income and Expenditure**			**-125,972**
		29,039	**Total Comprehensive Income (-) and Expenditure**			**40,286**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 24)

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	13,866
34,320	Long Term Debtors	34,700
1,993,305	**Long Term Assets**	**1,984,408**
325	Short Term Investments	410
3,232	Assets Held for Sale	745
85,781	Inventories/WIP	79,997
117,717	Short Term Debtors	92,574
23,626	Cash and Cash Equivalents	51,660
230,681	**Current Assets**	**225,386**

GROUP BALANCE SHEET CONTINUED

31-Mar-19 £000		31-Mar-20 £000
-170,871	Short Term Borrowing	-175,433
-111,425	Short Term Creditors	-124,930
-2,455	Provisions	-2,317
-3,005	Capital Grants and Contributions Receipts in Advance	-146
-287,756	**Current Liabilities**	**-302,826**
-6,184	Provisions	-6,670
-430,687	Long Term Borrowing	-592,434
-725,827	Other Long Term Liabilities	-594,567
-52,052	Capital Grants and Contributions Receipts in Advance	-32,102
-1,214,750	**Long Term Liabilities**	**-1,225,773**
721,480	**Net Assets**	**681,195**
119,257	Usable Reserves	117,538
602,223	Unusable Reserves	563,656
721,480	**Total Reserves**	**681,194**

The purpose of this statement is explained in the Narrative Report of the Council's single entity accounts (page 25)

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	-8,063	-1,116	-19,896	-9,446	-19,593	-29,039
Balance at 31-Mar-19	**70,579**	**-1,116**	**30,165**	**119,257**	**602,223**	**721,480**
Movement in 2019-20						
Total comprehensive income and expenditure	-166,258	0	0	-166,258	125,972	-40,286
Adjustments between accounting and funding basis under regulations	164,929	-8,783	8,394	164,540	-164,540	0
Increase (+) or decrease (-) in 2019-20	**-1,329**	**-8,783**	**8,394**	**-1,718**	**-38,568**	**-40,286**
Balance at 31-Mar-20	**69,250**	**-9,899**	**38,559**	**117,539**	**563,655**	**681,194**

* 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 24).

GROUP CASH FLOW STATEMENT

2018-19 £000		2019-20 £000
-5,409	**Net surplus (-) or deficit (+) on the provision of services**	**166,258**
-38,554	Depreciation	-39,567
-4,645	Impairment and downward valuations	-99,984
-1,690	Amortisation	-1,396
13,650	Increase (-)/ decrease in creditors	-23,099
1,864	Increase/ decrease (-) in debtors	-16,739
84,921	Increase/ decrease (-) in inventories	-2,324
-20,047	Movement in pension liability (difference between employer’s contributions paid and IAS19 adjustments)	-40,090
-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	-11,790
-17,456	**Adjustments to the net deficit on the provision of services for non-cash movements**	**-284,141**
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	73,790
-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**	**83,571**
87,330	**Net cash flows from Operating Activities**	**-34,312**

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	2,076
-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	-50,850
-6,887	Other receipts from investing activities	-8,190
26,653	**Investing Activities**	**149,291**
-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 25).

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 38).

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. 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	13,113
34,320	**Total**	**34,700**

6. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial Instrument are carried on the combined Balance Sheets of the group. The main changes from the single entity accounts relate to the Cash & Cash Equivalents 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	10,723	13,372	0	0
Financial assets at amortised cost	0	494	325	410
Total investments	**10,723**	**13,866**	**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	34,700	108,027	82,177
Total debtors	**34,320**	**34,700**	**108,027**	**82,177**
Borrowings:				
Financial liabilities at amortised cost	-430,687	-592,434	-170,871	-175,433
Total borrowings	**-430,687**	**-592,434**	**-170,871**	**-175,433**
Other liabilities:				
Other liabilities	-112,720	-107,986	-94,678	-99,206
Total other liabilities	**-112,720**	**-107,986**	**-94,678**	**-99,206**

7. CASH AND CASH EQUIVALENTS

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

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

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

31-Mar-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

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	(208,571)
228,153	**Net return on investments**		**(174,126)**
223,288	**Net increase/(decrease) in the net assets available for benefits during the year**		**(177,937)**
2,969,306	Opening net assets of the scheme		3,192,594
3,192,594	**Closing net assets of the scheme**		**3,014,657**

Notes on pages 148 to 198 form part of the financial statements.

Net Asset Statement

31-Mar-19 £000		Notes	31-Mar-20 £000
3,177,716	Investment assets		3,098,583
(345)	Investment liabilities		(101,964)
3,177,371	**Total net investments**	14	**2,996,619**
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	**3,014,657**

Notes on pages 148 to 198 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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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 224 (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	224

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.

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.

At the date of authorisation of the financial statements, the Fund does not consider that any of the matters discussed above give rise to material uncertainties that may cast significant doubt about the Fund'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.

Cambridgeshire County Council remains satisfied the LGPS that it administers continues to be a going concern.

The Pension Fund's latest actuarial valuation, as at 31 March 2019, showed it to be 100% funded – a significant increase from the position 3 years prior of 78.4%.

The impact of the Coronavirus pandemic on investment markets has affected the value of the Fund to 31 March 2020. The Fund's investment return for 2019-20 was -5.7% pa, less than the actuary's target return for the Fund of +4% pa.

The actuarial valuation includes the Rates and Adjustment certificate detailing the contributions to the Pension Fund that participating employers are expected to make. It remains the Fund's expectation that these will be paid as planned. To date no employers have enquired about deferring their contribution payments because of the Coronavirus pandemic.

The vast majority of employers in the pension scheme (45.3% of the Fund by active membership are scheduled bodies excluding Further and Higher Education employers) have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. In addition, following the latest triennial valuation, the Pension Fund has allowed employers to pay their deficit contributions in advance for either 1 or 3 years, as at May 2020 two prepayments have been made.

Following the latest actuarial valuation and schedule of employer contribution payments, the Pension Fund has reviewed its cashflow forecast. The Fund should have sufficient cash for over the next 3 years (excluding the receipt of any employer contributions paid in advance on 1 April 2021) to meet its obligations to pay pensions without selling any investments. Should investments be required to be sold as a result of negative cashflows or employers being unable to pay their contributions (which is not expected) the Pension Fund would have ready access to cash as 72% of the Fund could be sold at short notice from the Level 1 and Level 2 investments. For further information please refer to the Fund's Cash Management Strategy.

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

Oversight and Governance Costs

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

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 £9.4m (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 loans and receivables.

Loans and receivables are assets for which the amounts receivable are fixed and determinable and where the Fund has not designated the asset at fair value through profit and loss. This includes contributions owing from employers and cash deposits. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset.

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

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

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

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

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

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

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial 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 has appointed Prudential and Utmost Life and Pensions as its AVC providers. 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 Net Assets Statement 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 £404.8m. 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 £598.7m to £373.0m.

6. EVENTS AFTER THE BALANCE SHEET DATE

During the final quarter, there has been a dramatic downturn in global markets as a result of the Covid-19 pandemic, causing disruption to many businesses and economic activity. The Fund considers the outbreak to be a non-adjusting subsequent event. 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	517,798
27,593	Cash deposits	31,585
-	Derivatives Contracts: Purchased written options	138,546
3,992	Investment income due	722
1,910	Amounts receivable for sales	-
3,177,716	**Total investment assets**	**3,098,583**
	Investment liabilities	
-	Derivatives Contracts: Purchased written options	(101,964)
(345)	Amounts payable for purchases	-
(345)	**Total investment liabilities**	**(101,964)**
3,177,371	**Net investment assets**	**2,996,619**

14(a) RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value 01-Apr-19 £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-20 £000
Bonds	79,206	76,002	(1,127)	1,605	**155,686**
Equities	377,322	589,073	(567,609)	(398,785)	**1**
Pooled investments	2,086,961	160,772	(353,894)	135,343	**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)	22,691	**517,798**
	3,144,221	**1,012,369**	**(982,776)**	**(246,084)**	**2,927,730**
Derivative contracts:					
• Forward Currency Contracts	-	3,846	(316)	(3,530)	-
• Purchased/written options	-	-	-	36,582	**36,582**
	3,144,221	**1,016,215**	**(983,092)**	**(213,032)**	**2,964,312**
Other investment balances:*					
· Cash deposits	27,593			4,301	**31,585**
· Investment income due	3,992			-	-
· Amount receivable for sales	1,910			-	**722**
· Spot FX contracts	-			160	-
· Amounts payable for purchases of investments	(345)			-	-
Net investment assets*	**3,177,371**			**(208,571)**	**2,996,619**

* 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	517,798
600,732		**742,861**
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**	**3,098,583**
	Investment liabilities	
(345)	Amounts payable for purchases	-
-	Derivative liabilities	(101,964)
(345)	**Total investment liabilities**	(101,964)
3,177,371	**Net investment assets**	**2,996,619**

14(c). INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31-Mar-19 £000	% of net investment assets		Market value 31-Mar-20 £000	% of net investment assets
Investments managed by ACCESS asset pool:				
498,776	15.7	Link Fund Solutions -ACCESS Global Stock Fund	316,598	10.6
-	-	Link Fund Solutions - ACCESS Global Equity - J O Hambro	386,254	12.9
-	-	Link Fund Solutions - ACCESS Global Equity - Longview	266,447	8.9
Investments managed outside of ACCESS asset pool:				
80,458	2.5	Adams Street Partners	95,975	3.2
12,447	0.4	Allianz Global Investors	19,719	0.7
19,209	0.6	AMP Capital	41,117	1.4
81,100	2.6	Cambridge and Counties Bank	58,000	1.9
14,913	0.5	Cambridge Building Society	15,000	0.5
33,341	1.0	Equitix Investment Management	37,172	1.2
-	-	Foresight	4,972	0.2
58,546	1.8	HarbourVest Partners (UK)	72,709	2.4
-	-	IFM Infrastructure	60,937	2.0
524,841	16.5	JO Hambro Capital Management	-	-
60,888	1.9	M&G Investments	55,411	1.8
9,759	0.3	M&G Real Estate	55,048	1.8
37,370	1.2	Partners Group (UK)	42,816	1.4
-	-	River and Mercantile	192,269	6.4
946,737	29.9	Schroders Investment Management	373,605	12.5
765,050	24.1	UBS Global Asset Management	853,507	28.5
16,742	0.5	UBS Infrastructure	14,331	0.5
17,194	0.5	Cash with custodian	34,732	1.2
3,177,371	**100.0**	**Net investment assets**	**2,996,619**	**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 %
LINK FUND SOL LTD ACCESS GLOBAL STOCK A GBP	498,776	15.6	**316,598**	**10.5**
J O HAMBRO CAPITAL MANAGEMENT LTD GLOBALSELECT FD STG Z	509,096	15.9	**-**	**-**
NORTHERN TRUST GLO LF ACCESS GLOBAL EQTYJOHCM	-	-	**386,254**	**12.8**
LINK FUND SOL LTD ACCESS GLOBAL EQUITY AGBP	-	-	**266,447**	**-**
UBS ASST MGMT LIFE USA EQ TRKER HGD A ACC NAV	-	-	**186,591**	**6.2**
UBS GBL ASSET LIFE NORTH AMERICA EQTY TKR A	180,827	5.7	**-**	**-**
SCHRODER INV MG E STRATEGIC BD HGD I ACCNAV	165,656	5.2	**148,542**	**4.9**
	1,354,355		**1,304,432**	

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) during 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**

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements. There were no outstanding exchange traded future contracts at 31 March 2020 or 31 March 2019.

Forward foreign currency

Maintaining appropriate diversification, taking advantage of overseas investment returns and reducing the volatility associated with fluctuating currency rates. The Fund's Investment Managers may enter into forward foreign currency contracts to take advantage of current exchange 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. There has been no change in the valuation techniques used for individual investments during the year.

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	2,376,040	687,813	**3,066,276**
Total financial assets	**2,423**	**2,376,040**	**687,813**	**3,066,276**

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.

Cambridgeshire County Council

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	225,063	14.2%	257,022	193,104
Property	462,750	23.2%	570,233	355,267
Total Assets	**687,813**		**827,255**	**548,371**

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)	30,549	15,195	404,750
Total	**522,295**	**68,678**	**140,939**	**(59,804)**	**(3,930)**	**19,635**	**687,813**

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

Cambridgeshire County Council

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				31-Mar-20		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000		£000	£000	£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	517,798	-	-
-	-	-	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**	**-**		**3,066,276**	**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)**		**3,066,276**	**59,516**	**(111,135)**
		3,192,594	**Total**			**3,014,657**

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	(246,084)
723	Loans and receivables	4,461
	Financial liabilities:	
9	Fair value through profit and loss	33,052
(25)	Loans and receivables	-
-	Financial liabilities measured at amortised cost	-
182,745	**Total gains/(losses)**	**(208,571)**

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. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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 potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

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	**517,798**	23.2%	638,067	397,528
Cash and Other investment balances	**71,311**	0.3%	71,525	71,097
Total Assets	**2,996,619**		**3,690,590**	**2,302,647**

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%	22,978	16,333
Global pooled equities	**1,718,325**	16.9%	2,008,723	1,427,928
Index Linked Bonds	**79,206**	9.2%	86,494	71,919
Pooled fixed interest bonds	**296,716**	10.5%	327,872	265,561
Property	**236,858**	14.3%	270,730	202,987
Alternatives	**363,874**	24.7%	453,752	273,997
Cash and Other investment balances	**34,728**	0.5%	34,903	34,554
Total Assets	**3,177,371**		**3,704,511**	**2,650,239**

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**	555	567
Index-linked securities	**494**	489	499
Fixed interest securities	**2,026**	2,006	2,046
Total	**3,081**	**3,050**	**3,112**

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.

Cambridgeshire County Council

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	1,749,717	174,972	1,924,689	1,574,745
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**	**195,609**	**2,151,701**	**1,760,483**

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 the past five financial years. 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	Aaa-mf	27,427	30,835
Bank deposit account			
Barclays Bank	A	4,707	9,076
Bank current accounts			
Northern Trust custody accounts	P-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 £742.9m, which represented 24.6% 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.

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.
*Plus an allowance for promotional pay increases.

Assumption	Description	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)	3,015
-1,642	**Net liability**	**-1,290**

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 £000		31-Mar-20 £000
363	Equitable Life	-
7,683	Prudential	7,653
-	Utmost	361
8,046		**8,014**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

31-Mar-19 £000		31-Mar-20 £000
363	Equitable Life	-
7,683	Prudential	7,653
-	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 £000		31-Mar-20 £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:-

- Councillor Richard Robertson
- 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 reported directly to the LGSS Director of Finance, followed by the Interim 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.

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.

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 213). Long-term assets of foundation schools governed by a separate trust with no local authority control present are not consolidated, along with the long-term assets of most voluntary aided and voluntary controlled schools. This is due to the legislation contained within the School Standards and Framework Act 1998, as amended, that stipulates all non-playing field land shall be transferred by the local authority to the relevant diocese or trust. Only where there are specific lease, or other arrangements in place, does the Council hold the assets of these schools on the Council's Balance Sheet.

Infrastructure Asset Additions and De-recognitions

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

Measurement

The Council carries out a rolling 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 204);
- 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 219). 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 34)

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 219). 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 of Terms

ACCRUAL
An amount to cover income or spending that belongs to the accounting year, which was outstanding at the accounting date.

ACCUMULATED ABSENCES ACCOUNT
An unusable reserve which absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

ACTUARIAL BASIS
Valuations performed by an actuary relating to a pension scheme's assets and liabilities.

ACTUARY
An independent company which advises on the assets and liabilities of the Fund with the aim to ensure that the payment of pensions and future benefits are met.

ADMITTED BODIES
Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

ALL SHARE INDEX
Properly the FTSE All Share index which summarises the state of the UK equity market. It covers some 900 of the major UK industrial, commercial and financial companies.

AMORTISATION
The process of reducing the value of an asset or liability over its useful life.

AT BEST
An instruction to deal at the best price ruling in the market at the time, i.e. The highest price (selling) or lowest (buying).

Glossary of Terms

AUTHORISED UNIT TRUSTS
A unit trust which is approved by the Financial Services Authority (FSA) to be sold to members of the public.

AVAILABLE FOR SALE FINANCIAL ASSETS
Assets that have a quoted market price and/or do not have fixed or determinable payments.

BALANCE SHEET
A summary of financial position showing the assets and liabilities recognised by the Council, matched by the level of reserves held.

BALANCES
The accumulated surplus of income over expenditure on the General Fund (see later).

BARGAIN
Another name for a trade or transaction of the Stock Exchange.

BENEFICIAL OWNER
The true owner of a security regardless of the name in which it is registered.

BID PRICE
The price at which securities are purchased by market makers.

BOND
Security issued by a corporate or government body borrowing in the capital markets. Bonds promise to pay interest (coupons) during the life of the bond plus the principal sum borrowed on the redemption date. Bonds may be secured over assets of the firm or be unsecured

BUDGET
A statement defining the Council's policy over a specified period expressed in financial terms and including other performance and statistical data.

BUILDING SCHOOLS FOR THE FUTURE (BSF)
A national programme to bring all secondary schools up to modern standards over the next 15-20 years.

CAPITAL ADJUSTMENT ACCOUNT
An account that reflects the difference between the cost of long-term assets consumed and the capital financing set aside to pay for them.

CAPITAL FINANCING REQUIREMENT
A notional amount of debt which determines the Minimum Revenue Provision.

CAPITAL GRANTS
Grants received towards capital spending (see next) on a particular service or project.

CAPITAL SPENDING
Payments made for the acquisition or provision of assets which will be of long-term value to the Council e.g. land, buildings and equipment.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

CARRY FORWARDS
Directorates, Schools and Trading Units are permitted/ required to transfer any underspending or overspending into the next financial year.

CASH EQUIVALENTS
Assets which are readily convertible into cash.

CLEAN PRICE
The price of a bond which is quoted without accrued interest.

Cambridgeshire County Council

COMMUNITY ADMISSION BODIES
Employers who may be admitted to the scheme if they meet the requirements of Regulation 5 and regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that provide a public service, e.g. charitable bodies, otherwise than for the purpose of gain and which have sufficient links to a local authority or other scheme employer to be regarded as having a community of interest.

COMMUTATION
Giving up part or all of the pension payable from retirement in exchange for an immediate lump sum. Commutation factors (usually calculated by the Scheme Actuary) are used to determine the amount of pension which needs to be given up in order to provide the lump sum.

CONTINGENT ASSETS AND LIABILITIES
Are assets and liabilities that may or may not be incurred depending on the outcome of a future event.

CONTRACT NOTE
The documentary record of a trade which is sent from the broker to the investor

CONVERTIBLE
Unsecured loan stock (bond) which converts into equity of the issuing company. The UK Government also issues convertible gilts which convert into other government stock.

CORPORATE AND DEMOCRATIC CORE
Income and expenditure relating to the corporate management and democratic processes of the Council.

COUPON
The regular payment made on bonds.

CREDITS (PFI)
A measure of private sector investment that will be supported by central government grant and acts as a promise that PFI grant can be claimed once a PFI project is operational.

CURRENT ASSETS
Short-term assets such as inventories, receivables and bank balances.

Glossary of Terms

CURRENT LIABILITIES
Amounts owed which are due to be settled in less than one year, such as bank overdrafts and money owed to suppliers.

DEBENTURE
Fixed loan stock (bond) secured against the company's property, plant and equipment. First in the event of the company going into liquidation.

DEFERRED PENSION BENEFIT
A pension benefit which a member has accrued but is not yet entitled to receive.

DEFICIT
An outcome as a result of taking away all expenses from income.

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

DERIVATIVE
A special type of contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate, and is often called the "underlying". Derivatives can be used for a number of purposes - including insuring against price movements (hedging), increasing exposure to price movements for speculation or getting access to otherwise hard to trade assets or markets.

DISTRIBUTION DATES
The date when interest or dividends are distributed to investors. Also called Payment Date.

DIVIDEND
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall. [See also Equities]

EARMARKED RESERVE
An earmarked reserve is money set aside for a specific purpose.

EARNINGS PER SHARE (EPS]

The net (after tax) profits of a company divided by the number of ordinary shares in issue. This is used as the 'E' term in the P/E ratio to value shares.

EQUITIES

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business. Equity holders rank last in the event of the winding up of a company.

EVENTS AFTER THE BALANCE SHEET DATE

Events occurring between the Balance Sheet date and the date on which the Accounts are signed by the 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.

FIXED INTEREST CORPORATE BOND

A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum

FORCE MAJEURE

A common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an event described by the legal term *act of God* (such as hurricane, flooding, earthquake, volcanic eruption, etc.), prevents one or both parties from fulfilling their obligations under the contract.

FTSE-100 INDEX
The main UK index used to represent the approximate price movements of the top 100 shares.

FUTURES
Instruments which give a buyer the right to purchase a commodity at a future date.

GEARING
The amount of borrowing versus debt on a company's Balance Sheet (Net debt/Ordinary shareholders' funds). Warrants and options also exhibit gearing, i.e. a small move in the price of the underlying asset can be magnified in the move in the price of the option.

GENERAL FUND
The main revenue fund of the Council. Council tax precepts and Government grants are paid into the fund, from which the cost of providing services is met.

GILT
Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and are a loan to the Government.

GOVERNMENT GRANTS
Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Education or Social Services; or general.

HEDGE
To protect a fund from a fall in prices. This is usually accomplished by the selling of futures.

HEDGE FUND
A limited partnership with very little restriction on the scope of its investment. Usually quoted in Luxembourg or Dublin. Hedge funds often use borrowing to gear up exposure to markets.

HERITAGE ASSETS
Assets (land, building, or artefact/ exhibit) held principally for their contribution to knowledge or culture.

IMPAIRMENT
A reduction in the value of an asset from its previous value in the accounts.

IMRO
Investment Management Regulatory Organisation. Fund Manager Regulator.

INCOME
Amounts which the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, government grants and precept. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not they have been received in that year.

INDEX LINKED
Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

INTEREST YIELD
The annual coupon on a bond divided by the clean price.

INFRASTRUCTURE ASSETS
Assets such as roads and bridges.

INTANGIBLE ASSETS
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

INTERNAL CONTROLS
Procedures or systems designed to promote efficiency, assure policy implementation, safeguard assets and avoid fraud and error.

Glossary of Terms

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.

LOAN STOCK
Unsecured bonds, which may be convertible if they have a warrant attached.

LONG-TERM ASSETS
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

MARKET CAPITALISATION
For an individual stock it is the value of all shares held in the equity of the company. For a market or index it is the total of all the market caps of the constituent companies.

MEDIUMS
Medium-dated Gilts with time to maturity of 5-15 years.

MINIMUM REVENUE PROVISION
The minimum amount which must be charged to revenue in the year for the repayment of debt.

NET BOOK VALUE
The depreciated value of an asset.

NOMINEE
A firm which acts on behalf of the underlying beneficial owner of the securities and in whose name the securities are registered.

NON-DISTRIBUTED COSTS
Costs that cannot be specifically applied to a service and are held centrally.

OFFER PRICE
The price at which market makers will sell stock.

ORDINARY SHARES
‘A’ Shares which confer full voting and dividend rights to the Owner.

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.

Cambridgeshire County Council

REVALUATION RESERVE
A reserve for amounts arising from the appreciated value of property; the difference between the former book value of property on the Balance Sheet and the present (revalued) book value of the property. The Revaluation Reserve will record the sum of the net gains (if any) on a property-by-property basis from revaluations made after 1 April 2007.

REVENUE CONTRIBUTIONS
The shortened form of Revenue Contributions to Capital Outlay (often abbreviated as RCCO). It refers to the financing of capital spending directly from revenue, rather than loan or other sources.

REVENUE EXPENDITURE
The day-to-day spending of the Council on such items as employees, office running costs, and the purchase of services

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset.

REVENUE SUPPORT GRANT (RSG)
The general grant paid by Central Government to aid Local Authority spending generally.

RIGHTS ISSUE
A new issue of shares offered to existing shareholders in proportion to their existing holdings. Usually offered at a discount to entice take-up, which causes the existing shares to fall in value to the theoretical ex-rights price.

SCHEDULED BODIES
Local Authorities and similar bodies whose staff are entitled automatically to become members of the local Authority Pension Fund.

STOCK
Shares (e.g. Common stock). However, UK Gilts are more correctly described as stock.

SURPLUS
An outcome as a result of taking away all expenses from income.

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.

TRANSFEREE ADMISSION BODIES
Employers who may be admitted to the scheme if they meet the requirements of Regulation 6 and Regulation 7 of the LGPS (Administration) Regulations 2008 (as amended). Typically these are bodies that are formed when a service or function offered by a local authority or other scheduled body is contracted out to the private sector.

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.

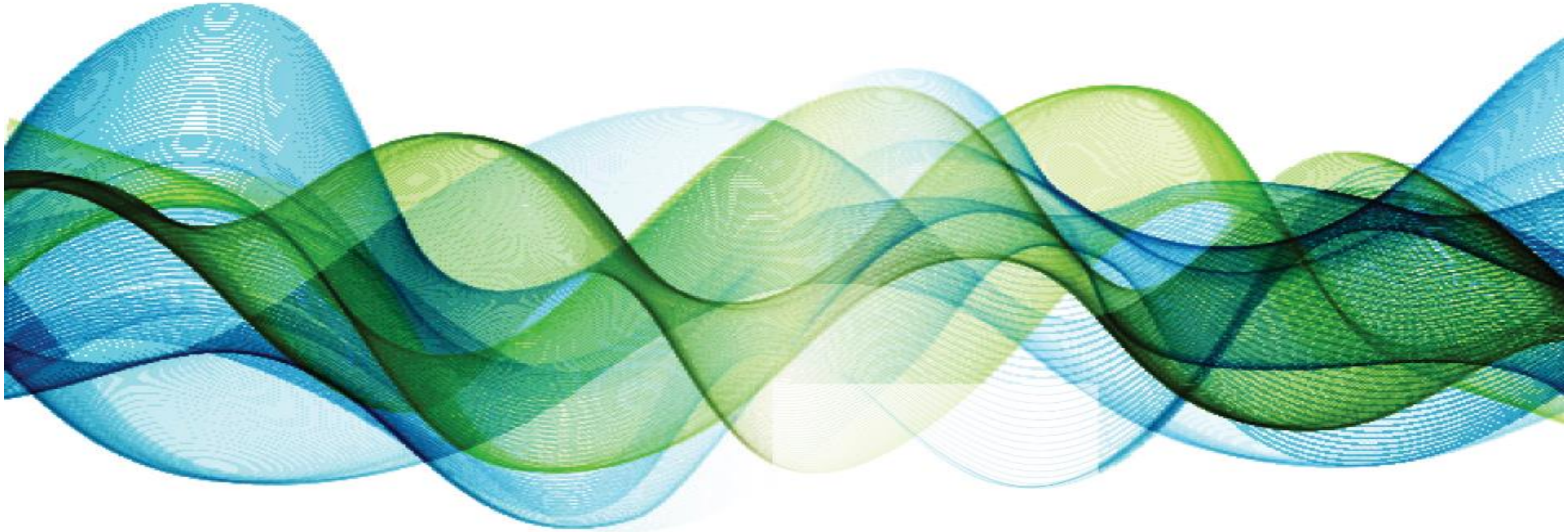
TRUST
Investments are owned by trustees for the underlying beneficial owners. A unit trust is a trust, incorporated under a trust deed. An investment trust is a company, not a trust.

UNDERWRITER
A firm which agrees to underwrite a new issue, for a fee, thereby guaranteeing the securities will be sold.

UNIT TRUST
An open-ended trust investing in a wide spread of stocks, shares and cash (subject to FSA limits). Investors buy units directly from the Fund manager to participate in a diversified portfolio. Unit trusts are subject to FSA investment and borrowing regulations.

WARRANTS
Long dated options warrants give the holder the right to buy/sell a specified quantity of a particular stock, or any other asset, at a fixed price on or before a specified date.

Cambridgeshire County Council Annual Governance Statement



Subject to consideration 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.

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 was provided in the Annual Internal Audit Report which was presented to the Audit and Accounts Committee on 2nd June 2020.

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. However, there are no such actions requiring specific mention in the 2019/20 Annual Governance Statement.

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. 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
Chairman of the General Purposes Committee

Gillian Beasley
Chief Executive

Councillor Michael Shellens
Chairman of the Audit and Accounts Committee

July 2020

Appendix B – Accounting Policy Changes for 2019/20

The policies remain largely unchanged from those utilised in 2018/19, with the exceptions of:

- A small number of minor adjustments to correct spelling and grammar, and a small number of minor adjustments to wording in order to increase clarity;

- Property, plant and equipment – depreciation: this accounting policy has had the following wording removed: "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." The ERP Gold fixed asset register uses the more common current month convention, where a full month's depreciation is charged in the month of acquisition but depreciation is not charged in the month of disposal. This is not a material element of the PPE accounting policy; therefore, as part of the move to streamline the accounts, the wording has been removed rather than replaced.

Cambridgeshire Pension Fund

Provisional Audit Plan

Year ended 31 March 2020

Building a better working world

Audit and Accounts Committee / Pensions Committee Members,
Shire Hall,
Castle Hill,
Cambridge, CB3 0AP.

4 May 2020

Dear Audit and Accounts Committee / Pension Committee Members,

2019/20 External Audit plan – Cambridgeshire Pension Fund

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as your external auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit Committee, the Pension Fund Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the next available Audit & Accounts Committee as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

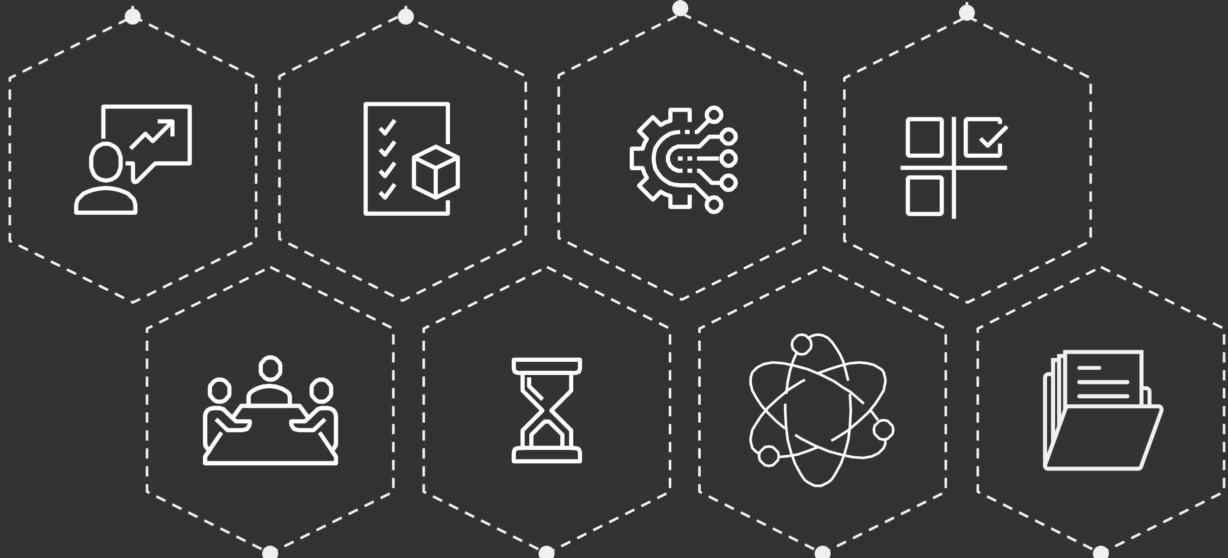
MARK HODGSON

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



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

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk/focus	Details
Misstatements due to fraud or error	Fraud risk	No Change	As identified in ISA (UK and Ireland) 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 management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified Investment Income and Asset Valuation journals as the key areas at risk of manipulation as set out below.
Investment Income and Asset Valuations - Investment Journals	Fraud risk	No Change	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely are is to affect investment income and assets in the year, specifically through journal postings.
Unusual Investments – Cambridge and Counties Bank (CCB)	Significant Risk	No Change	From a review of the 2018/19 financial statements, the Pension Fund has a £81.1 million investment in CCB Bank. The Pension Fund's investment in CCB is a hard to value Level 3 investment, as there is a lack of observable inputs and prices are not publicly available, and thus requires a specialist valuation model. The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts. We consider this an non-routine investment for a pension fund, which requires specialist valuation. On this basis, we have deemed it a significant risk.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change in risk/focus	Details
Valuation of complex investments (Unquoted investments excluding CCB)	Inherent Risk	Not Change	The Fund's investments include unquoted pooled investment vehicles such as private equity, property investments and Cambridgeshire Building Society. Key judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.
Pension Liability assumptions and IAS 26 Disclosures (IAS26)	Inherent Risk	No Change	An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a data set provided by the Pension Fund to inform the Actuary's triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Overview of our 2019/20 audit strategy

Materiality

Planning materiality
£31.93m

Materiality has been set at £31.925 million, which represents 1% of the prior year's net assets of the scheme available to fund pension benefits.

Performance materiality
£23.95

Performance materiality has been set at £23.946 million, which represents 75% of materiality. This is the top end of our range based on a lower level of errors identified in previous periods.

Audit differences
£1.59m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £1.596 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2020 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2020; and

- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund. Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension assets and obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion.

We are currently in the process of discussing the extent of these areas and the audit risks highlighted in this Audit Plan as relevant in the context of Cambridgeshire Pension Fund's audit, and the resultant impact on the scale fee. We set out the published Scale Fee in Appendix A, together with our view on the uplift required to be able to deliver an ISA compliant audit.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks as denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Investment income and asset valuations - Investment Journals*

What is the risk?

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

We have identified the main area being;

- Investment Income and Asset Valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings.

What will we do?

Our approach will focus on:

- Test journals at year-end to ensure there are no unexpected or unusual postings;
- Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences;
- Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

Our response to significant risks (continued)

Unusual Investments – Cambridge and Counties Bank (CCB)

What is the risk?

The Pension Fund's investment in CCB is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publically available.

The CCB investment is based on valuations provided by a management specialist – Grant Thornton (GT). In the prior year the CCB investment represented the largest single private equity investment by the fund. GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

Because this investment is not publicly listed and as such there is a degree of judgement in their valuation.

From a review of the 2018/19 financial statements, the Fund had an £81.1 million investment in CCB.

The Fund transparently discloses in the notes to the accounts surrounding "Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty" that there is a risk that this could be under or over stated in the accounts.

What will we do?

Our approach will focus on:

- Engaging with EY Transaction Valuation team who will undertake a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- We will ensure that the CCB investment have been valued in accordance with the relevant accounting policies; and
- The audit team will test the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert – GT.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Valuation of Complex Investments (Unquoted Investments)</u> The Fund's investments include unquoted pooled investment vehicles such as private equity, Cambridgeshire Building Society and property investments. Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. The proportion of the fund comprising of these investment types in 2018/19 is at circa 18%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.	In order to address this risk we will carry out a range of procedures including: ▸ Assessing the competence of management experts; ▸ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used; ▸ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and ▸ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

Other areas of audit focus (Continued)

What is the risk/area of focus?	What will we do?
<u>Pension Liability Assumptions</u> An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based data submitted by the Pension Fund to the Actuary to inform their triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk that the information provided in relation to membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.	In order to address this risk we will carry out a range of procedures including: ▸ review the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate; ▸ Review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and observable data; and ▸ Agree the disclosure to the information provided by the actuary.
<u>IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits</u> The Fund’s IAS 26 calculation shows that the present value of promised retirement benefits amount to £4.829 billion as at 31 March 2019. The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson.	In order to address this risk we will carry out a range of procedures including: ▸ Assessing the competence of management experts, Hymans Robertson; ▸ Engaging with the NAO’s consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and ▸ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

Other areas of audit focus (continued)

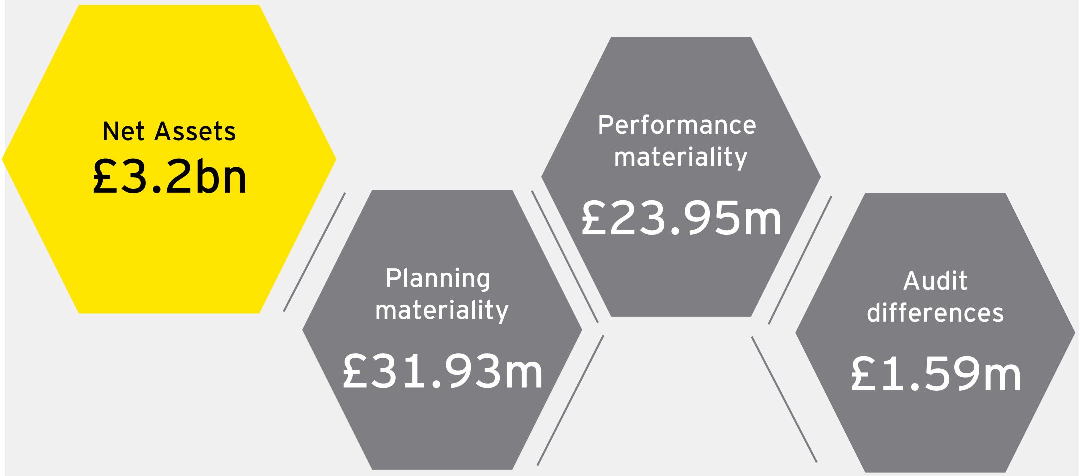
What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Pension Fund 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 Pension Fund 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. The CIPFA Guidance Notes for Practitioners 2019/20 accounts states '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.' 'If an authority were in financial difficulty, the prospects are thus 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 revised standard requires: ▸ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias; ▸ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; ▸ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Pension Fund are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements; ▸ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and ▸ necessary consideration regarding the appropriateness of financial statement disclosures around going concern. The revised standard extends requirements to report to regulators where we have concerns about going concern. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

03 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £31.93 million. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

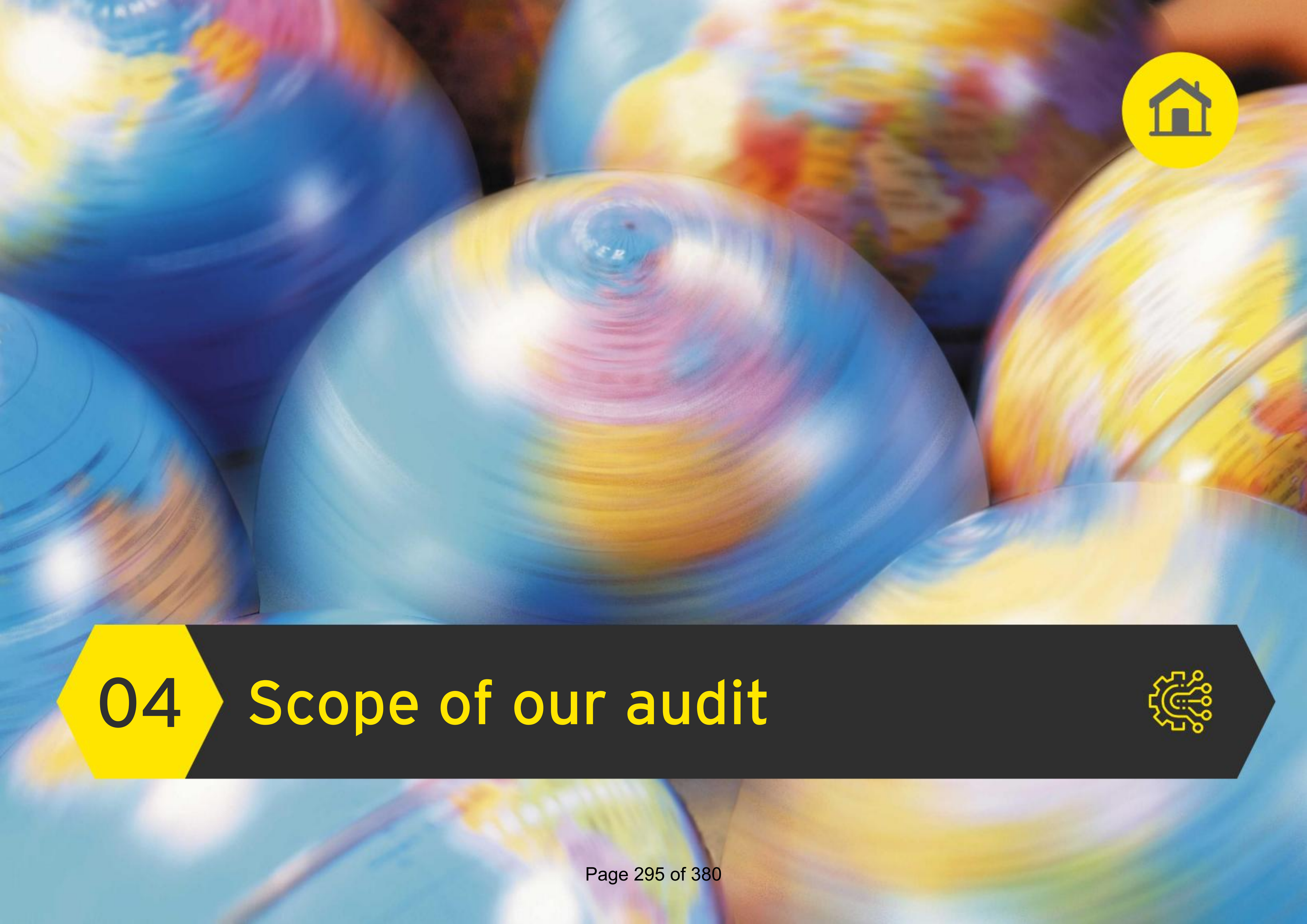
Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £23.95 million which represents 75% of planning materiality. As this is our first year auditing the pension fund we are required to set performance materiality at this lower level compared to previous years.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.



04 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls;
- Substantive tests of detail of transactions and amounts; and
- Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Accounts Committee.

Internal audit:

As in the prior year we will review internal audit plans and the results of their work. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

05 Audit team

Audit team

Audit team structure:

Mark Hodgson Lead Audit Partner
Mark Russell Audit Manager
Jacob McHugh Assistant Manager
Sapheena Garcha Senior

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their Pension Fund audits. Mark Hodgson is supported by Mark Russell and Jacob McHugh who are responsible for the day-to-day direction of audit work and are the key points of contact for the Pension Fund finance team. Mark Russell replaces Sappho Powell, who is currently on maternity leave. Both Mark and Jacob McHugh are involved with the Cambridgeshire County Council audit.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	Hymans Robertson (Cambridgeshire Pension Fund actuary) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team
Investment Valuation	The Pension Fund's custodian and fund managers EY Pensions Advisory Team EY Real Estate Valuation Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Scope of our audit

Audit deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. Whilst this has been relaxed for 2019/20 in light of Covid-19, the Pension Fund is still working to the original timelines in respect of the draft financial statements and audit timing.

These changes provide risks for both the preparers and the auditors of the financial statements:

- Risks to the Pension Fund include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Pension Fund staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Pension Fund we will:

- Work with the Pension Fund and officers to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Pension Fund's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate a closedown workshop with Statutory Finance Officers to agree an approach to enable us all to achieve a successful closure of accounts for the 2019/20 financial year.
- Work with the Pension Fund to implement/ embed/ improve the use of EY Client Portal, this will:
  - Streamline our audit requests through a reduction of emails and improved means of communication;
  - Provide on –demand visibility into the status of audit requests and the overall audit status;
  - Reduce risk of duplicate requests; and
  - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

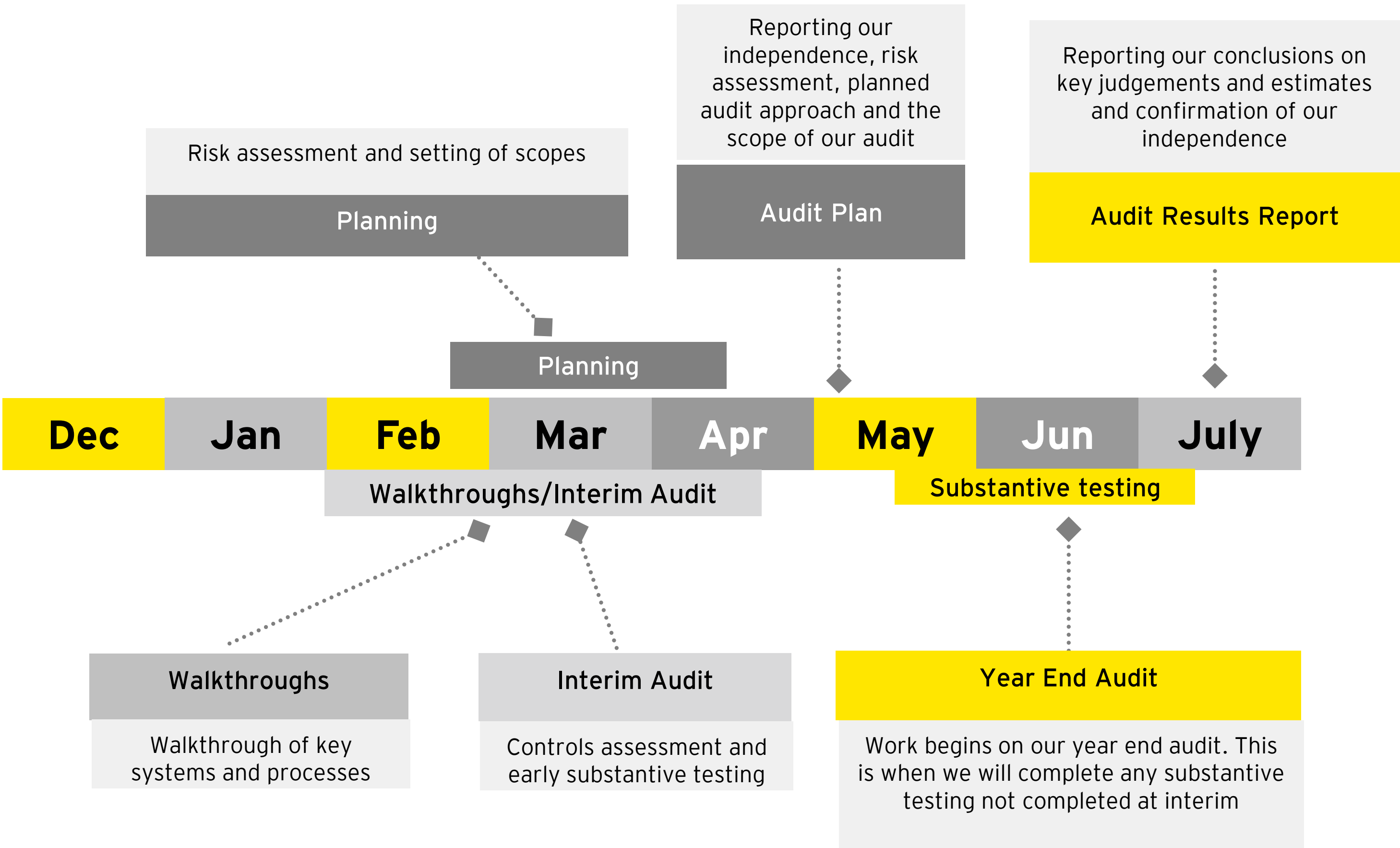
06 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit and Accounts Committee and we will discuss them with the Audit and Accounts Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



07 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf

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 do not provide any non-audit services which would be prohibited under the new standard.

08 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s
Total Fee – Code work	(Note 2)	17,256	25,314 (Note 1)
Total fees	(Note 2)	17,256	25,314

All fees exclude VAT

Note 1 – We charged an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This is subject to formal approval by PSAA Ltd under their scale fee variation approval process.

Due to the significant risk raised in relation to the valuation of Cambridge & County Bank and Cambridge Building Society we charged an additional fee of £2,558 for the required audit procedures in 2018/19.

Note 2 - For 2019/20, the scale fee will be impacted by a range of factors which will result in additional work. The issues we have identified at the planning stage which will impact on the fee, as reported earlier include:

- The impact of the triennial valuation on contribution rates and associated testing;
- The audit procedures required in respect of the valuation of Cambridge & County Bank; and
- IAS19 assurances to the auditors of Admitted body financial statements.

We will continue to discuss the impact of these factors with management and the impact on the final fee.

We are currently in discussion with management to agree the fair fee required to perform an ISA compliant audit for the Pension Fund. This will result in a significant increase in the scale fee set by PSAA Ltd. This discussion will take into account the recurring audit risks around:

- The audit procedures required in respect of the valuation of Cambridge & County Bank; and
- IAS19 assurances to the auditors of Admitted body financial statements.

We will then specify the additional cost in respect of the risk specific to the 2019/20 financial statements only – the impact of the triennial valuation.

We will provide an update to this Committee once those discussions have concluded.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

Appendix B

Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee.

Required communications	What is reported?	Our Reporting to you 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - May 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 – July 2020

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ 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	Audit Results Report – July 2020
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report – July 2020
Fraud	▸ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report – July 2020
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – July 2020

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan – May 2020 Audit Results Report – July 2020
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – July 2020
Consideration of laws and regulations	▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee Committee may be aware of	Audit Results Report – July 2020
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	Audit Results Report – July 2020

Appendix B

Required communications with the Audit and Accounts Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2020
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - July 2020
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan - May 2020 Audit Results Report - July 2020

Appendix C

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▸ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Cambridgeshire County Council

Audit Plan

Year ended 31 March 2020

28 May 2020

Building a better working world

Audit and Accounts Committee
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

28 May 2020

Dear Committee Members

Initial Audit Plan – 2019/20

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Accounts Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This initial plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We will provide an updated plan if there are any additional audit risks and procedures that arise from the financial reporting requirements of the Covid-19 pandemic.

This report is intended solely for the information and use of the Audit and Accounts Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

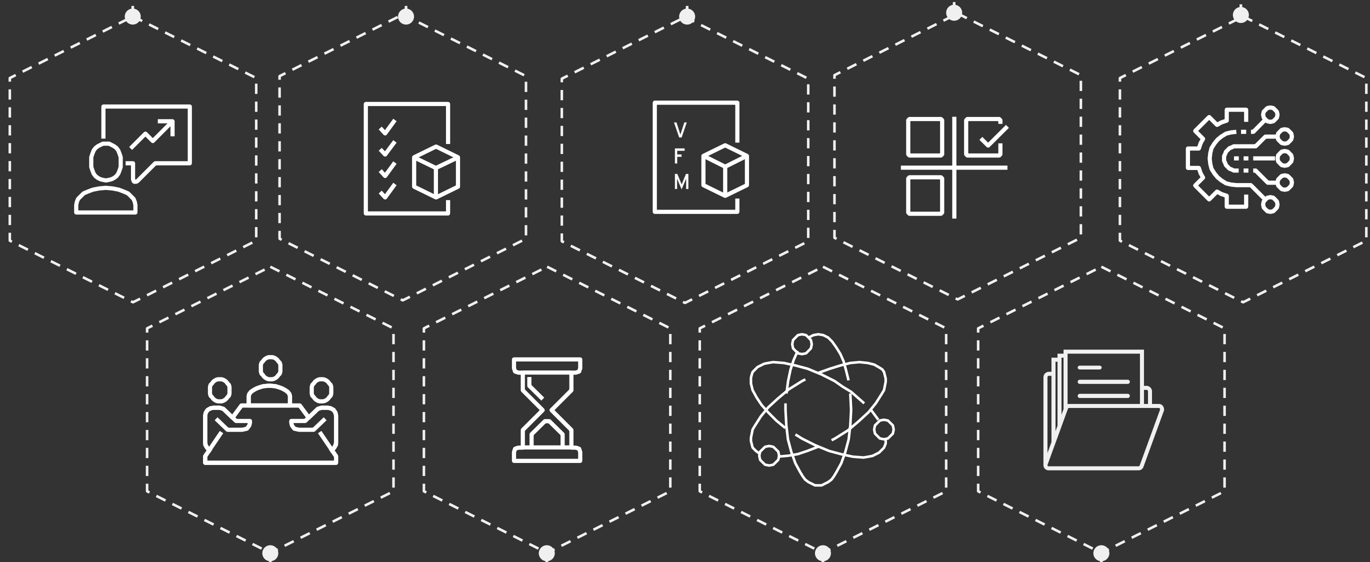
We welcome the opportunity to discuss this report with you on at the next available Audit and Accounts Committee, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

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

Contents



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

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Accounts Committee with an overview of our initial risk identification for the upcoming audit.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one main area as being the incorrect classification of revenue spend as capital expenditure.
Accounting adjustments made in the 'Movement in Reserves Statement'	Fraud risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified a second main area as being the accounting adjustments made in the Movement in Reserves Statement (MiRS) as a key area at risk of manipulation.
Property, Plant & Equipment - Valuation of Land and Buildings and Investment Properties	Significant risk	No change in risk or focus	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 to assess the Council's assets to determine their balance sheet value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and any change to the respective assets' useful lives. Due to the complexity in accounting for land and buildings and investment properties, the material values involved, the impact of Covid-19 and with the change in valuer, this presents a higher risk that asset valuations contain material misstatements.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for Grants	Significant risk	Increase in 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.
Pensions Liability – IAS19	Significant risk	Increase in risk	The Local Authority Accounting Code of Practice (the code) 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 IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. This estimate is further impacted in 2019/20 by Brexit, Covid-19 and the triennial valuation of the pension fund, and the consequential impact on Pension Fund Asset valuations and therefore the Pension Liability figure.
Sensitive disclosures	Inherent risk	No change in risk or focus	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.
Private Finance Initiative (PFI)	Inherent risk	No change in risk or focus	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.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for schools that convert to 'Academy' status	Inherent risk	No change in risk or focus	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.
Valuation of heritage assets	Inherent risk	No change in risk or focus	The Council hold Heritage Assets on its 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.
Dedicated Schools Grant Deficit Accounting	Inherent Risk	New Risk	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 Education has updated regulations retrospectively, so the Council will need to ensure it complies with this new regulation and related accounting guidance.

Overview of our 2019/20 audit strategy

Group Materiality

Planning materiality
£17.21m

Materiality has been set at £17.212 million, which represents 1.8% of the prior years gross expenditure on provision of services plus financing and investment expenditure.

Performance materiality
£8.61m

Performance materiality has been set at £8.605 million, which represents 50% of materiality.

Audit differences
£0.86m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.861 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances and Exit packages: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Cambridgeshire County Council group give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Cambridgeshire County Council's audit, we will discuss these with management as to the impact on the scale fee.

02 Audit risks

Our response to fraud and significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Fraud risk - misstatements due to fraud or error *

What is the risk?	What will we do?
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.	We will undertake our standard procedures to address fraud risk, which include: ▸ Identifying fraud risks during the planning stages. ▸ Inquiring of management about risks of fraud and the controls put in place to address those risks. ▸ Understanding the oversight given by those charged with governance of management's processes over fraud. ▸ Considering the effectiveness of management's controls designed to address the risk of fraud. ▸ Determining an appropriate strategy to address those identified risks of fraud. ▸ Performing mandatory procedures regardless of specifically identified fraud risks, including; ▸ testing of journal entries and other adjustments in the preparation of the financial statements; ▸ reviewing accounting estimates for evidence of management bias; and ▸ evaluating the business rationale for significant unusual transactions.

Our response to fraud and significant risks (continued)

Fraud risk – incorrect capitalisation of revenue expenditure *

Financial statement impact

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

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of the 'cost of services' reported in the comprehensive income and expenditure statement.

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 will we do?

Our approach will focus on:

- Sample testing additions to Property, Plant and Equipment (PPE) to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately calculated;
- Sample testing of Revenue Expenditure Funded from Capital Under Statute (REFCUS) to ensure that such expenditure meets the definition of REFCUS and as such correctly included in revenue; and
- Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

Our response to fraud and significant risks (continued)

Fraud risk – accounting adjustments made in the 'Movement in Reserves Statement' *

Financial statement impact

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

We consider the risk applies to accounting adjustments made in the movement in reserves statement and could result in a misstatement of the 'cost of services' reported in the comprehensive income and expenditure 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 will we do?

Our approach will focus on:

- Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure they meet the accounting definition of REFCUS expenditure;
- Reconciling entries in the MiRS 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; and
- Reviewing the Council's policy and application of the 'Minimum Revenue Provision'.

Our response to fraud and significant risks (continued)

Significant Risk - Valuation of Land and Buildings and Investment Properties

Financial statement impact

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the statement of financial position.

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 will we do?

Our approach will focus on:

- Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considering the annual cycle of valuations to ensure that assets have been valued, as a minimum, within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Where there are significant changes in valuation, or a lack of change where a movement is expected, we may need to engage our own EY valuation experts to perform a review of valuation assumptions and methodologies, particularly on those more complex methodologies such as depreciated replacement cost; and
- Testing that accounting entries have been correctly processed in the financial statements.

Our response to fraud and significant risks (continued)

Significant Risk – Pension Liability (IAS19)

Financial statement impact

The Pension Liability represents a significant balance in the Council's accounts.

At the 31 March 2019 the liability was £613 million.

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. This estimate is further impacted in 2019/20 by Brexit, Covid-19 and the triennial valuation of the pension fund, and the consequential impact on Pension Fund Asset valuations and therefore the Pension Liability figure.

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 will we do?

Our approach will focus on:

- Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council, including additional assurances over the triennial valuation data submission;
- Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Reviewing and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 and any update reports resulting from the audit procedures at the Pension Fund in relation to pension fund assets.

Our response to fraud and significant risks (continued)

Significant Risk - Accounting for grants

What is the risk?	What will we do?
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.	Our approach will focus on: ➢ Performing sample testing over capital grants received in advance (held on balance sheet) and those posted through the Comprehensive Income & Expenditure Statement; ➢ Reviewing these for the underlying terms/conditions to ensure categorisation is appropriate; and ➢ Reconciliation of those primary statement balances to the detailed notes within the statement of accounts to ensure appropriate presentation grant income and consistency throughout.

Financial statement impact

Grant income represent significant balances in the Council's accounts.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>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.	Our approach will focus on: ▸ Reviewing the arrangements for agreeing with the school assets, liabilities and balances for transfers; and ▸ Reviewing 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.
<u>Private Finance Initiative</u> 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.	Our approach will focus on: ▸ Performing testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; ▸ Confirming consistency of the PFI models to the financial statements; and ▸ Comparing the PFI models to those we reviewed during 2018/19. Where changes have been identified we may be required to engage EY specialists to perform a review of the models.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will 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.	Our approach will focus on: ▸ Reviewing 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.
Sensitive Notes 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.	Our approach will focus on: ▸ Testing completeness of all sensitive disclosures, as well as the relevant accuracy of figures disclosed.
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.	Our approach will focus on: ▸ Reviewing and testing managements consideration of the value and the valuation methodology applied to heritage assets to confirm that they remain current.

Other areas of audit focus (continued)

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. These may include, but not be limited to:

- **Going concern** – management's assessment of whether the Council is a going concern will need to consider the impact of the current conditions on the Council's future performance. Additional narrative disclosure will be required, including on the future principal risks and uncertainties, including the impact on operations for 2020/21 and beyond (see next page for more context).
- **Revenue recognition –** there may be an impact on income collection (Council and Business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.
- **Tangible assets –** there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- **Pensions** – volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.
- **Receivables** – there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.
- **Holiday and sickness pay** – the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- **Government support –** any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- **Annual Governance Statement–** the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Going Concern Disclosures Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 *Going Concern*, as applied by 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 by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. 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.	In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist. These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19). Our audit procedures to review these will include consideration of: ▸ Current and developing environment; ▸ Liquidity (operational and funding); ▸ Mitigating factors; ▸ Management information and forecasting; and ▸ Sensitivities and stress testing.

03 Value for Money Risks

Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:
"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

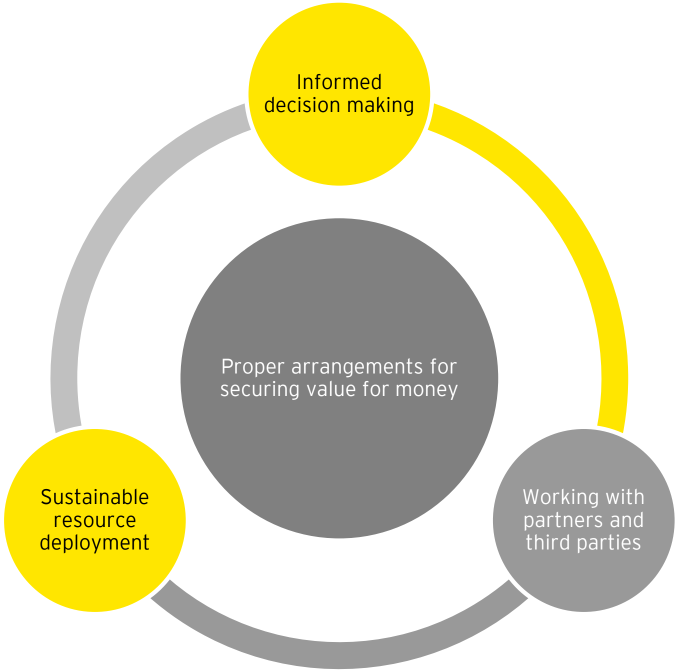
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2019/20 this will include consideration of the steps taken by the Authority to consider the impact of both Brexit and the coronavirus on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that coronavirus and its impact will feature on operational risk registers.

The predecessor audit has not yet concluded on their 2017/18 Value for Money Conclusion. As such, we have not been able to commence our 2018/19 Value for Money work and have not therefore commenced our VFM risk assessment for 2019/20.



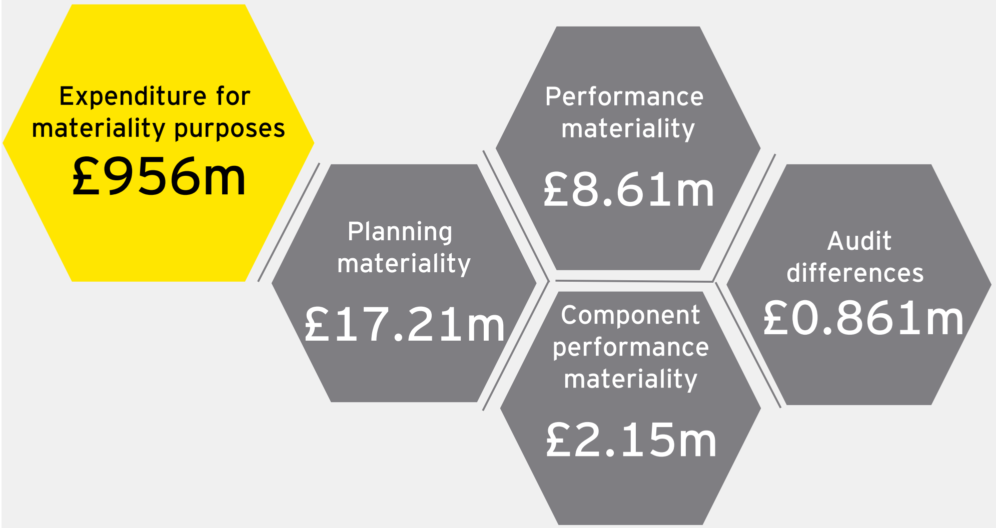
04 Audit materiality

Group Materiality

Materiality

For planning purposes, group materiality for 2019/20 has been set at £17.21 million. This represents 1.8% of the prior year gross expenditure on net cost of services plus financing and investment expenditure.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. The level applied reflects the fact that this is a first year audit. Based on our initial assessments we do not believe it would be appropriate to raise materiality above this. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.61 million which represents 50% of planning materiality. As an initial audit, we set 50% as our performance materiality as standard as this is our first year of performing audit procedures.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. Assigned performance materiality is £2.15 million for 'This Land Limited'.

Audit difference threshold – we propose that misstatements identified below £0.861 million for the group are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.

Specific materiality – We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

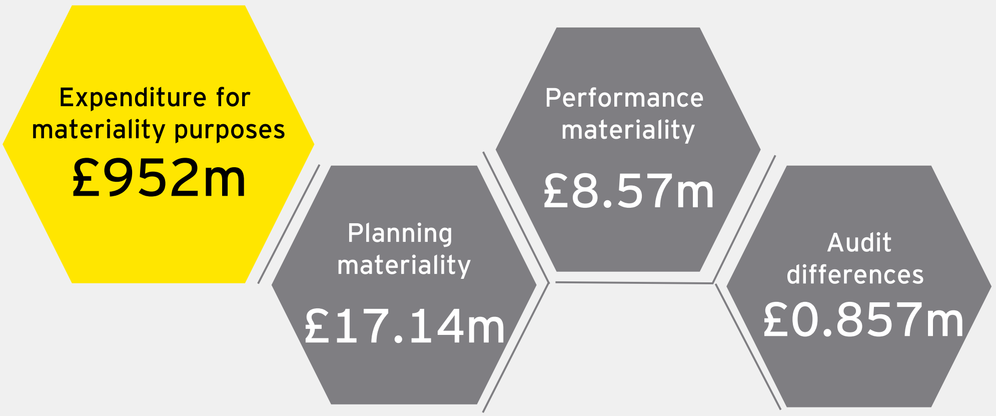
- Remuneration disclosures including Exit packages, Related Party transactions and Councillor Allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Cambridgeshire County Council Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £17.14 million. This represents 1.8% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. The level applied reflects the fact that this is a first year audit. Based on our initial assessments we do not believe it would be appropriate to raise materiality above this. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

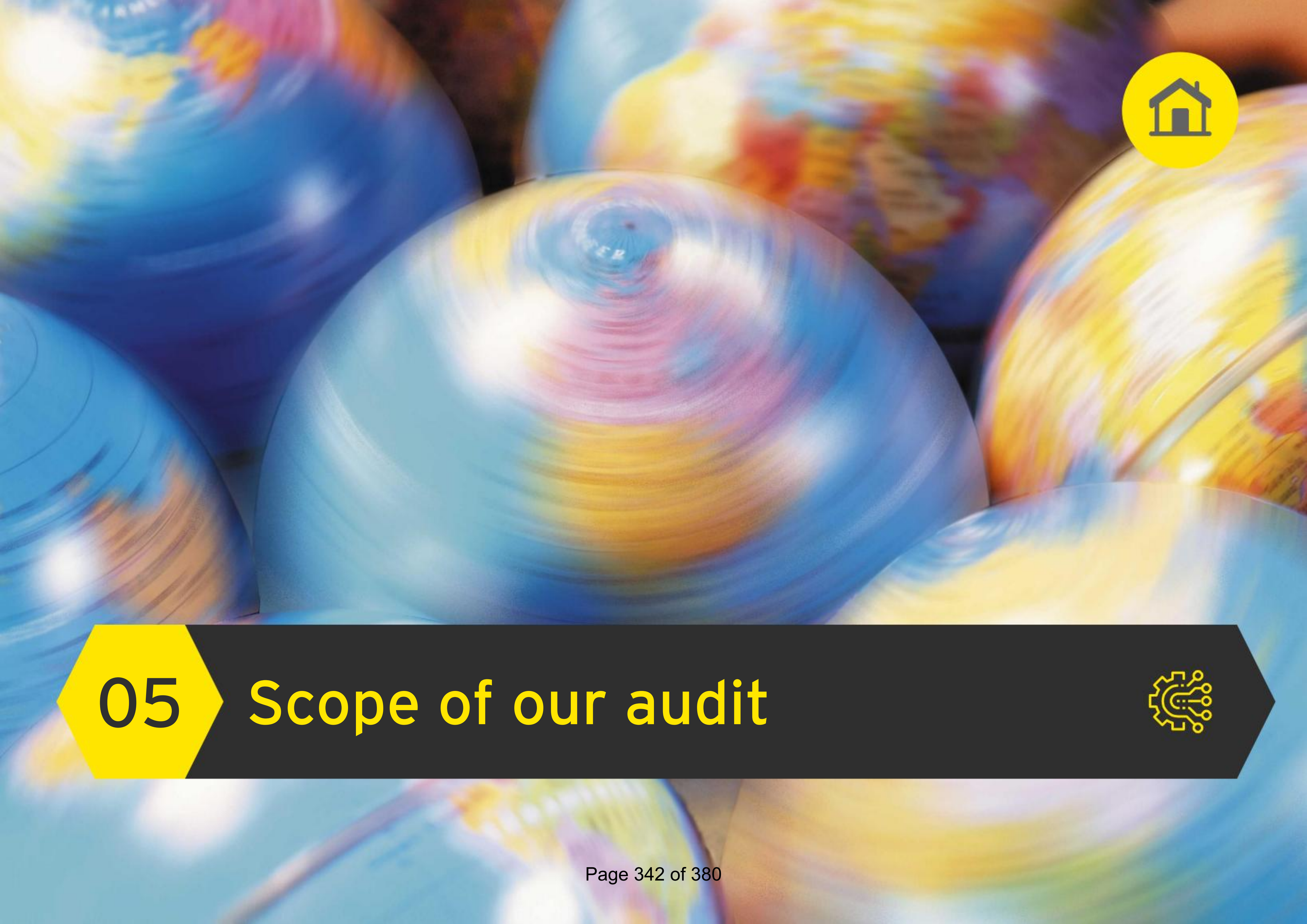
Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £8.57 million which represents 50% of planning materiality. As an initial audit, we set 50% as our performance materiality as standard as this is our first year of performing audit procedures.

Audit difference threshold – we propose that misstatements identified below £0.857 million for the Council are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Accounts Committee, or are important from a qualitative perspective.

Specific materiality – We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

- Remuneration disclosures including Exit packages, Related Party transactions and Councillor Allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:
We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:
As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the year-end financial statements.

Scope of our audit

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. Whilst this has been relaxed for 2019/20 in light of Covid-19, the Council is still working to the original timelines in respect of the draft financial statements and audit timing.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Authority now has less time to prepare the financial statements and supporting working papers. Risks to the Authority include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements, changes to finance team etc.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Authority staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions using the EY Canvas Portal.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the year and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Authority we will:

- Work with the Authority and officers to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Authority's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate workshops with Statutory Finance Officers and Audit Committee Chairs to agree an approach to enable us all to achieve a successful audit closure of accounts for the 2019/20 financial year.
- Work with the Authority to implement/ embed/ improve the use of EY Client Portal, this will:
    - Streamline our audit requests through a reduction of emails and improved means of communication;
    - Provide on -demand visibility into the status of audit requests and the overall audit status;
    - Reduce risk of duplicate requests; and
    - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

Nil	Full scope audits
1	Specific scope audits
Nil	Review scope audits
Nil	Specified procedures
Nil	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Coverage of Revenue/Profit before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's expenditure and group's revenue.

Expenditure — **0.4%** of the group's expenditure will be covered by specific scope audits, with the remainder covered by the single entity's audit.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

This Land Limited will be audited by RSM, a non-EY member firm, who will confirm their independence via our group instructions.

Group scope

This Land Limited is a non significant component, categorised as specific scope.

Group audit team involvement in This Land Limited component audit

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

06 Audit team

Audit team and use of specialists

Audit team

The engagement team is led by Mark Hodgson, who has significant experience of County Council audits and leads our Government & Public Sector team across East Anglia. Mark is supported by Mark Russell, Manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant. The day to day audit team will be led by Jacob McHugh, Assistant Manager.

Specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Bruton Knowles (Council's property valuer). We will also consider any valuation aspects that require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to the NAO) and Hymans Robertson (Council's Actuary).
Private Finance Initiatives (PFI)	EY PFI Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

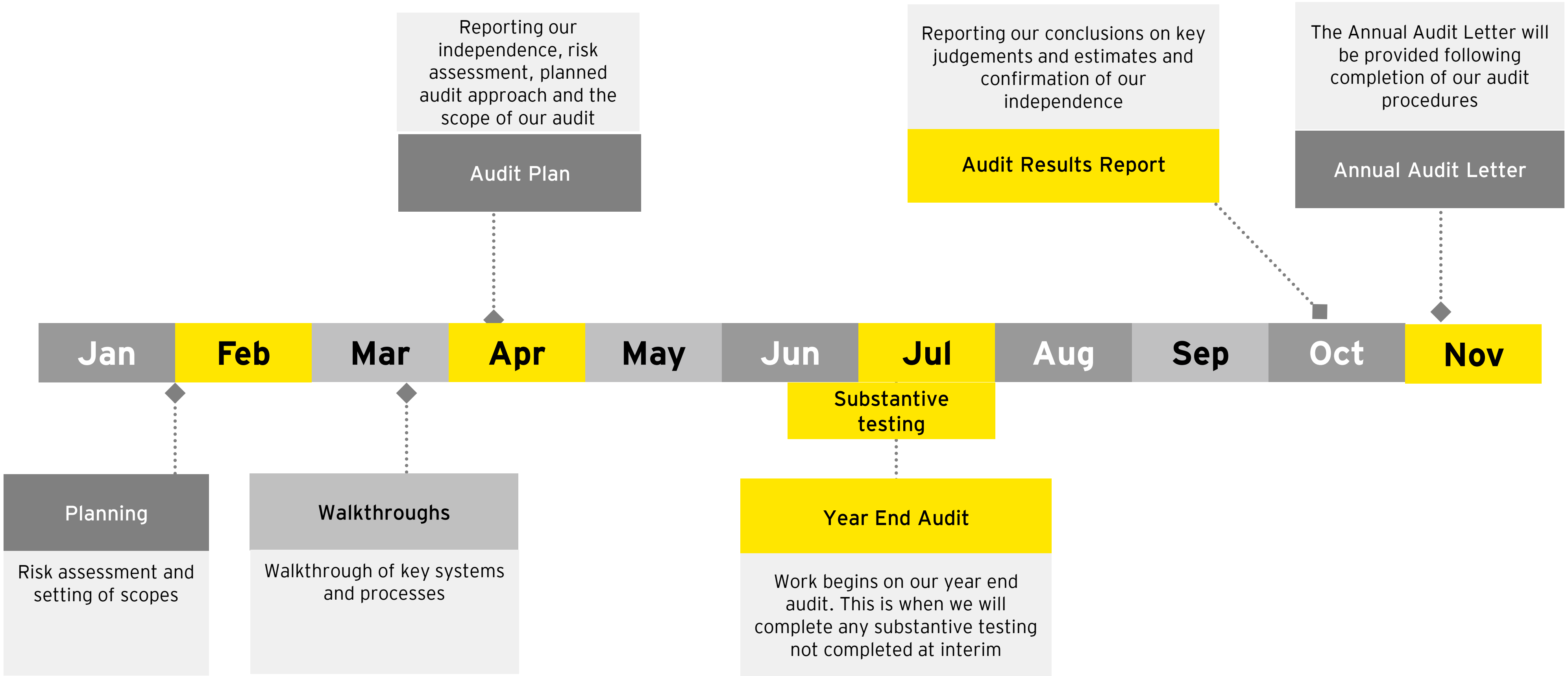
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

<table>
<tr><th colspan="2">Required communications</th></tr>
<tr><th>Planning stage</th><th>Final stage</th></tr>
<tr><td>
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
▶ The overall assessment of threats and safeguards;
▶ Information about the general policies and process within EY to maintain objectivity and independence.
▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.
</td><td>
▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
▶ Details of non-audit services provided and the fees charged in relation thereto;
▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
▶ Written confirmation that all covered persons are independent;
▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
▶ An opportunity to discuss auditor independence issues.
</td></tr>
</table>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report, although we note that this will be the last year that Mark Hodgson will be involved in the engagement before rotation rules dictate a change of Engagement Partner.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf

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 do not provide any non-audit services which would be prohibited under the new standard.

09 Appendices

Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2019/20 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£'s	£'s	
Total Fee – Code work (Note 1 and 2)	**Note 2**	72,427	72,427 – **Note 1**
Total audit	72,427	72,427	72,427
Other services not covered above	-	-	-
Total other non-audit services	-	-	-
Total fees	72,427	72,427	72,427

All fees exclude VAT

Note 1 – We are currently in discussion with management to agree a scale fee variation of £55,837 for the 2018/19 Financial statements audit. The scale fee variation relates to additional risks and procedures required in our 2018/19 audit of the Councils Statement of Accounts, including:

- Property, Plant and Equipment Valuations (Significant Risk)
- PFI Schemes (Specialist review)
- MRP (Specialist Review)
- Implementation of a new Financial System (Significant Risk)
- Consolidation of This Land Ltd
- Heritage Assets
- Prior year considerations and Prior Period Adjustments
- The level of audit adjustments identified (in excess of 100) and the numerous reconciliations of amended accounts (24 versions).

In addition we are yet to complete procedures on the Council's 2018/19 Whole of Government Accounts return and Value for money conclusion which will also require a separate additional scale fee variation.

Note 2 – We are currently in discussion with management to agree the fair fee required to perform an ISA compliant audit for the Council. This will result in a significant increase in the scale fee set by the PSAA Ltd, as a result of a range of factors as set out on page 9 . This discussion will take into account the recurring audit risks as set out within this audit plan. We will specify the additional cost in respect of the risk specific to the 2019/20 financial statements only – where appropriate.

We will provide an update to this Committee once those discussions have been concluded.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek variation to the agreed fee. This will be discussed with the Council in advance.

Appendix A

Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as Cambridgeshire County Council the extent of audit procedures now required mean it will take 2,400 hours to complete a quality audit.

Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.

    - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.

    - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.

3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:

    - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
    - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Fees

Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

    - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.

    - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Appendix B

Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee**.**

		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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – May 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 ▸ Findings and issues regarding the opening balance on initial audits	Audit Results Report – October 2020

Required communications with the Audit and Accounts Committee (continued)

Required communications	What is reported?	Our Reporting to you: When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report – October 2020
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report – October 2020
Fraud	▸ Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report – October 2020
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – October 2020

Appendix B

Required communications with the Audit and Accounts Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Audit and Accounts Committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan – May 2020 Audit Results Report – October 2020

Appendix B

Required communications with the Audit and Accounts Committee (continued)

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	Audit Results Report – October 2020
Consideration of laws and regulations	‣ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ‣ Enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of	Audit Results Report – October 2020
Internal controls	‣ Significant deficiencies in internal controls identified during the audit	Audit Results Report – October 2020
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	Audit Plan – May 2020 Audit Results Report – October 2020

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – October 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – October 2020
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – October 2020
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – May 2020 Audit Results Report – October 2020 Annual Audit Letter – November 2020

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, that Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Audit and Accounts Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▸ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Agenda Item No: 9

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

MEETING DATE REPORT DEADLINES AND REPORT TITLES	Frequency of report	Corporate/Service Director /external officer responsible	Report author
COMMITTEE DATE 2.00 P.M. TUESDAY 22nd SEPTEMBER 2020			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 9th September 2020			
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
Six monthly Report in respect of Consultancy expenditure and compliance with the Policy	Originally Quarterly Report updates had bene requested at the November 2018 meeting. Changed as a result of Lockdown	Head of People / HR/ Procurement	Martin Cox / Sarah Haig

Transformation Fund Monitoring Report Quarter 1	Quarterly	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 (March) is received or the special meeting to consider the draft accounts (June)	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 / Rob Sanderson Cllr Shellens / Cllr Rogers
10 A.M. SPECIAL COMMITTEE DATE FOR ACCOUNTS SIGN OFF FRIDAY 30TH OCTOBER			
ISA 260 Report	Annual Report with the Accounts	Ernst Young External Auditor	Mark Hodgson
Final Accounts **Moved from the July meeting**	Annual Report	Head of Finance and Deputy Section 151 Officer / Strategic Finance Manager for Corporate Finance	Tom Kelly / Ellie Tod
COMMITTEE DATE 2.00 P.M. TUESDAY 24th November 2020			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 11th November 2020			
Statement of Accounts Process – Action / Improvement Plan	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer / Strategic Finance	Tom Kelly, Ellie Tod

		Manager - Corporate Finance	
Transformation Fund Monitoring Report Quarter 2	Quarterly Update	Head of Transformation	Kelly Allen
Performance Report Quarter 1	Quarterly	Head of Business Intelligence	Tom Barden
Resources 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
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 (March) is received or the special meeting to consider the draft accounts (June)	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	Duncan Wilkinson / Rob Sanderson / Cllr Shellens / Cllr Rogers

		briefing	
COMMITTEE DATE 2.00 P.M. TUESDAY 26th January 2021			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 13th January 2021			
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
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 going the same day	Chief Finance Officer	Tom Kelly / Rebecca Barnes
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**	Each meeting other than the meeting when the IA Annual Audit Plan Report (March) is	Head of Internal Audit	Neil Hunter / Mairead Claydon

beyond the next agreed target date	received or the special meeting to consider the draft accounts (June)		
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			
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 Audit / Audit and Risk Manager	Neil Hunter / Mairead 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 (March) is received or the special meeting to consider the draft accounts (June)	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
COMMITTEE DATE 2.00 P.M. TUESDAY 1st JUNE 2021			
Deadline for reports to be with Democratic Services: Mid-day Wednesday 19th May 2021			
Statement of Accounts Process – Action Plan Update	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer	Tom Kelly / Ellie Tod
Section 106 Update Report	Annual	Deputy Section 151 Officer	Tom Kelly
Performance Report Quarter 3	Quarterly	Head of Business Intelligence	Tom Barden
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been	Chief Finance Officer	Tom Kelly / Rebecca Barnes

	through General Purposes Committee or was going the same day		
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 (March) is received or the special meeting to consider the draft accounts (June)	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
MEETING DATE REPORT DEADLINES AND REPORT TITLES	**Frequency of report**	**Corporate/Service Director /external officer responsible**	**Report author**
COMMITTEE DATE 2.00 P.M. TUESDAY 30th JULY 2021			
Deadline for reports to be with Democratic Services:			
Final Accounts	Annual	Head of Finance and Deputy Section 151 Officer	Tom Kelly Ellie Tod

Performance Report Quarter 4	Quarterly	Head of Business Intelligence	Tom Barden
Transformation Fund Monitoring Report Quarter 4	Quarterly Update	Interim Head of Transformation	Julia Turner
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
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 (March) is received or the special meeting to consider the draft accounts (June)	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	
Update Report in respect of Consultancy expenditure and compliance with the Policy		HR/ Procurement	Martin Cox / Sarah Haig

COMMITTEE DATE 2.00 P.M. TUESDAY SEPTEMBER 2021			
Deadline for reports to be with Democratic Services:			
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been through General Purposes Committee or was going the same day	Head of Finance	Tom Kelly / Rebecca Barnes
Transformation Fund Monitoring Report Quarter 1	Quarterly	Interim Head of Transformation	Julia Turner
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 (March) is received or the special meeting to consider the draft accounts (June)	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	

COMMITTEE DATE 2.00 P.M. TUESDAY NOVEMBER 2021			
Deadline for reports to be with Democratic Services:			
Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been through General Purposes Committee or was going the same day	Head of Finance	Tom Kelly / Rebecca Barnes
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 (March) is received or the special meeting to consider the draft accounts (June)	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	
COMMITTEE DATE 2.00 P.M. TUESDAY JANUARY 2022			

Deadline for reports to be with Democratic Services:			
Statement of Accounts Process – Action Plan Update	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer	Tom Kelly
Update Report in respect of Consultancy expenditure and compliance with the Policy		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 (March) is received or the special meeting to consider the draft accounts (June)	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	
COMMITTEE DATE 2.00 P.M. TUESDAY March 2022			
Deadline for reports to be with Democratic Services:			
Statement of Accounts Process – Action Plan Update	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer	Tom Kelly
External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson
Integrated Finance Monitoring Report	Each Cycle - would always be one that had already been through General	Head of Finance	Tom Kelly / Rebecca Barnes

	Purposes Committee or was going the same day		
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 (March) is received or the special meeting to consider the draft accounts (June)	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	
COMMITTEE DATE 2.00 P.M. TUESDAY JUNE 2022			
Deadline for reports to be with Democratic Services:			
Statement of Accounts Process – Action Plan Update	Monitoring each meeting	Head of Finance and Deputy Section 151 Officer	Ellie Tod / Michelle Parker
Section 106 Update Report	Annual	Deputy Section 151 Officer	
Performance Report Quarter 3	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	Head of Finance	Tom Kelly / Rebecca Barnes

	going the same day		
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 (March) is received or the special meeting to consider the draft accounts (June)	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	

Annual Whistle Blowing Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Annual Governance Statement	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Internal Audit Annual Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter

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 may require a separate confidential appendix as it may contains business sensitive information for the Council and other parties. This being Led by FACT and so is currently in their hands**	One-off Report	Chief Finance Officer / Service Director Highways and Finance	Chris Malyon / Graham Hughes
County Farms Tenancy Audit	One off Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter /
Manor Farm Tenancy Investigation (May have a confidential appendix to be confirmed) This will require a seprate	One off investigation	Head of Internal Audit / Audit and Risk Manager	Neil Hunter

Update 6th July 2020