



Cambridge City Council  
**Civic Affairs**

**Date:** Wednesday, 30 January 2019

**Time:** 5.30 pm

**Venue:** Committee Room 1 & 2, The Guildhall, Market Square, Cambridge, CB2 3QJ

**Contact:** [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk), tel:01223 457000

**Agenda**

- 1 Apologies
- 2 Declarations of Interest
- 3 Minutes (Pages 3 - 10)
- 4 Public Questions
- 5 2018-19 Statement of Accounts - Accounting Policies and Significant Areas of Judgement (Pages 11 - 42)
- 6 Ernst & Young Audit Plan (Pages 43 - 86)
- 7 Draft Pay Policy Statement 2019/20 and Implementation of 2019 Pay Award (Pages 87 - 120)
- 8 Local Government Pension Scheme - Employers Discretions (Pages 121 - 172)
- 9 Waste Complaints April - October 2018 (Pages 173 - 184)

**Civic Affairs Members:** McPherson (Chair), Benstead (Vice-Chair), Dalzell, O'Connell, Robertson and Thornburrow

**Alternates:** Sargeant and Tunnacliffe

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**CIVIC AFFAIRS**

10 October 2018

5.30 - 6.50 pm

**Present:** Councillors McPherson (Chair), Benstead (Vice-Chair), Dalzell, Gawthrope, O'Connell and Robertson

**Officers:**

Chief Executive: Antoinette Jackson

Head of Corporate Strategy: Andrew Limb

Head of Shared Internal Audit Service: Jonathan Tully

Business & Development Manager: Tony Stead

Democratic Services Manager: Gary Clift

Information Governance Manager: Jo Brooks

Principal Accountant (Technical & Financial Accounting): Charity Main

Committee Manager: James Goddard

**Others Present:**

Head of Customer Services: Jonathan James

Independent Remuneration Panel: Jane Philips

**FOR THE INFORMATION OF THE COUNCIL****18/48/Civ Apologies**

No apologies were received.

**18/49/Civ Declarations of Interest**

Item	Name	Interest
18/52/Civa	Ms Jackson	Personal: Employed as Chief Executive. Report discusses salary.
18/53/Civ	Councillor Benstead	Personal: Council appointed Trustee of Cambridge Live
18/57/Civ	Councillor Robertson	Personal: Council appointed representative on

		Cambridgeshire and Peterborough Audit and Governance Committee
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### **18/50/Civ Minutes**

The minutes of the meetings held on 11 July 2018 were approved as a correct record and signed by the Chair.

The Chief Executive referred to the 2018 election review report. She had been made aware that that the Electoral Commission had decided that the Council had not met all the required performance standards for electoral registration. The Commission said that the Council were required to make a personal visit to all students who did not return canvass forms, even though the council was unable to get access in many cases.

The Chief Executive undertook to circulate the election review report to councillors once it was published.

### **18/51/Civ Public Questions**

There were no public questions.

### **18/52/Civ Officer Delegated Decision**

**5a** To Implement the Joint Negotiating Committee for Chief Executives and Chief Officers of Local Authorities Pay Award for 2018-2020  
The decision was noted.

### **18/53/Civ Ernst and Young Annual Audit Letter**

The Committee received a report from Principal Accountant (Technical & Financial Accounting) regarding the Annual Audit Letter from Ernst & Young, which summarised the key issues arising from their 2017/18 audit.

In response to the report Councillors commented that the 'clean' report from Ernst & Young reflected good work by Officers.

In response to Councillors' questions the Principal Accountant (Technical & Financial Accounting) said:

- i. The audit fee had been discussed with Ernst & Young.

- a. The standard fee was determined by Public Sector Audit Appointments (PSAA) as part of the national awarding of audit contracts, but this no longer reflected the shape of the Council.
  - b. The Council had discussed establishing a new standard fee with Ernst & Young, but there was no provision for this under the PSAA arrangements.
  - c. Certain fees would therefore continue to accrue in future in addition to the standard one eg group reporting.
- ii. Legal and accountancy definitions of controlled entities were different. The impact of Cambridge Live on fees in future was to be determined.

**Unanimously agreed** to note the contents of the Annual Audit Letter.

### **18/54/Civ Internal Audit Plan: Progress Report**

The committee received a progress report from the Head of Internal Audit regarding the work of Internal Audit, completed between March 2018 to September 2018.

In response to members' questions about system reviews (p54) the Head of Internal Audit said the following:

- i. It was too early to give a report on the Streets & Open Spaces Project.
- ii. He undertook to bring an audit update to committee regarding Serious Organised Crime as this was of particular interest to Councillors and residents.

**Unanimously resolved** to note the contents of the report.

### **18/55/Civ Freedom Of Information, Data Protection And Transparency: Annual Report 2017/18**

The Committee received a report from the Information Governance Manager regarding an annual report on performance and activity during 2017/18 on transparency issues. This included data protection; requests for information under Freedom of Information (FOI) and Environmental Information Regulations (EIR); and open data.

In response to members' questions about system reviews (p54) the Information Governance Manager said the following:

- i. (Reference paragraph 3.9 on p65).

- a. The decision was made to notify the Information Commissioners Office of the malware incident affecting one computer, to enable individuals to safeguard themselves from any potential risk.
  - b. The Council had a tool kit to follow, which recorded decisions made and reasons for them.
  - c. There was a small risk of data breach so the Information Commissioners Office was notified. The Council tried to identify which people had been affected and then contacted them. There was no noticeable impact on people eg privacy breaches. Findings were pending from the Information Commissioners Office.
- ii. (Reference paragraph 3.38 on p72). Under GDPR, the public have a Right of Access which is equivalent to Subject Access Requests (SAR) under DPA 1998. The Council was unlikely to see a surge in requests for information. People who were disgruntled with the Council were more likely to submit information requests to the council than the general public.

Councillor Dalzell proposed an amendment to the incident type table (reference paragraph 3.7 on p64). Requested a new column be added in future setting out risk/impact information.

The Committee **unanimously agreed** the amendment.

**Unanimously resolved** to note the changes to information legislation under GDPR & Data Protection Act 2018 in May 2018.

### **18/56/Civ Annual Complaints Report 2017-18**

The committee received a report from the Business and Development Manager regarding an analysis of the complaints and compliments received by the Council during 2017-18 under the Corporate Complaints, Compliments and Comments procedure.

Members said in response to the Officer's report:

- i. Complaints about the Waste Service were not going down as much as other services eg Planning. However the service had undergone a major review and attracted compliments as well as complaints.
- ii. The Council received 327,000 contacts. Only a minority were complaints, most feedback was good.

In response to members' questions the Business and Development Manager said the following:

- i. Reports could be provided as necessary regarding monitoring of the Waste Service.
- ii. Feedback on customer satisfaction was regularly reviewed. Staff were then coached on areas for improvement. Customer satisfaction was higher for phone contacts than email, so a specific training course could be arranged to address the issues with email contact.

Members asked to have an update report on complaints about the Waste service in the current year.

Councillor McPherson queried why the City Council's response target should be amended to ten working days to better align with South Cambridgeshire, instead of South Cambridgeshire amending their target. The Chief Executive said that complaints that involved more than one service can often require a more detailed investigation and response. As such, they also required a longer response time, so it was better to extend the City Council's response time.

**Resolved (by 4 votes to 0) to:**

- i. Consider the draft Annual Complaints Report for 2017-18 (Appendix A of the Officer's report), and approve for publication on the Council's website.
- ii. Amend the City Council's response target to ten working days to better align with South Cambridgeshire.
- iii. Receive an update report on complaints about the Waste Service in the current year.

**18/57/Civ Independent Remuneration Panel - Special Responsibility Allowance Update**

The Committee received a report from the Democratic Services Manager.

The Council (at its meeting on 22 February 2018) agreed a new Special Responsibility Allowance be paid to the Cabinet Member on the Cambridgeshire and Peterborough Combined Authority for municipal year 2017/18. It also approved further evidence gathering on the work of city councillor responsibilities on the Combined Authority, Greater Cambridge Partnership and Police and Crime Panel, reporting back to the Civic Affairs Committee in the new municipal year.

In response to the report the Committee and Independent Remuneration Panel representative said that succession planning for representatives on groups (eg

Combined Authority) and committees was an important consideration. This should be considered proactively not reactively ie before someone steps down.

Councillor Robertson proposed an amendment to increase the Special Responsibility Allowance for the Combined Authority Cabinet Member from 50% to 100% of basic allowance.

The Committee **agreed** the amendment **(by 4 votes to 0)**.

**Resolved (by 4 votes to 0)** to recommend the IRPs recommendations for Special Responsibility Allowances to Council. With the addition of an amendment that the percentage of Basic Allowance for the Combined Authority Cabinet Member be increased from 50% to 100%.

### **18/58/Civ Process for Scrutiny of the Council's Budget**

The Committee received a report from Head of Corporate Strategy regarding the process for scrutiny of the council's budget.

Councillor O'Connell proposed an amendment to option A:

- i. That the Strategy and Resources Scrutiny Committee and the Executive meet on 11 February 2019.
- ii. That budget amendments to be considered at S&R Scrutiny Committee are submitted by 1 February.
- iii. Budget amendments consequential to Executive amendments made at the Executive meeting are submitted to Council at least 4 days before the meeting.

With the permission of the Chair, Councillor Bick spoke to the amendment:

- iv. Explained that the amendment would afford opposition groups a similar timeframe to produce budget amendments as under the current process.
- v. The Liberal Democrat Group preferred option B to option A. Option A saved time pressure on officers and ruling group members, at the expense of opposition members.
- vi. Expressed concern about the reduction in opportunity for scrutiny of the BSR set out in the timeline in the Officer's report.
- vii. Asked that the amount of time available to amend the budget be reviewed. Consideration of budget amendments could not start until the BSR was published.
  - a. Opposition Councillors had 4 weeks to consider amendments under the current 2018/19 arrangements.

- b. Option A would give less than 3 weeks for budget amendments.  
This was a significant change.
- viii. Asked Civic Affairs to consider the amendment, which would move the proposed Executive and Strategy & Resources Committee dates, plus amendment submission dates.

The Committee was advised by the Chief Executive that the amendment was workable, in terms of timings, from an officer perspective.

Councillor Robertson stated that the proposal looked reasonable and could see why it would be reasonable to give opposition members adequate time to produce budget amendments.

Councillor O'Connell sought clarification how revised submission dates would be affected by *Part 4C Budget and Policy Framework Procedure Rules* amendments set out on p130 of the Officer's report. The Democratic Services Manager stated that the re-wording of Part 4C to accommodate the tabled amendment would be circulated to the Committee prior to it being published for Council's approval on 18 October.

The Committee **unanimously supported** the amendment.

**Unanimously resolved** to recommend to Council the changes to the Council's budget and policy framework procedure (part 4c) and Council Procedure Rules appendix 2 budget recommendations and amendments (part 4a) as set out in Appendix A of the Officer's report and as amended below:

- i. That the Strategy and Resources Scrutiny Committee and the Executive meet on 11 February 2019.
- ii. That budget amendments to be considered at S&R Scrutiny Committee are submitted by 1 February.
- iii. Budget amendments consequential to Executive amendments made at the Executive meeting are submitted to Council at least 4 days before the meeting.

### **18/59/Civ Calendar of Meetings 2019/20**

The Committee received a report from the Democratic Services Manager seeking approval of the Council's meeting calendar for the Municipal Year 2019/20 (indicative).

Members asked that political conference dates be checked in the calendar.

**Unanimously resolved** to approve the meetings calendar 2019/20, subject to any amendments to reflect 18/58/Civ and party conferences.

The meeting ended at 6.50 pm

**CHAIR**

Item

## **STATEMENT OF ACCOUNTS 2018/19 – ACCOUNTING POLICIES AND SIGNIFICANT AREAS OF JUDGEMENT**



### **Not a Key Decision**

**To:**

Councillor Richard Robertson, Executive Councillor for Finance and Resources

Civic Affairs Committee 11/01/2019

**Report by:**

Caroline Ryba, Head of Finance

Tel: 01223 – 458134 Email: caroline.ryba@cambridge.gov.uk

**Wards affected:**

All

### **1. Introduction**

- 1.1 The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. For the 2018/19 financial year there is a requirement for the Chief Financial Officer (Section 151) of the Council to approve draft unaudited accounts by the 31 May and for the audited accounts to be approved by Civic Affairs by 31 July.
- 1.2 As part of these deadlines, no change from last year this report is presented, outlining any changes in accounting policy and significant areas of accounting judgement in relation to the statement of accounts.

### **2. Recommendations**

- 2.1 To note and approve the proposed presentational changes, accounting policies and significant areas of accounting judgement in relation to the 2018/19 Statement of Accounts.

### **3. Background**

- 3.1. A briefing on the draft financial statements will be provided for members of the committee at the next meeting on 23/05/19 based on the out turn position at that time.

#### **4. Presentational changes**

- 4.1. The Council is proposing to make no significant presentational changes to the Statement of Accounts for 2018/19.

#### **5. Changes in accounting policy and significant areas of judgement in 2018/19**

- 5.1 The Code of Practice on Local Authority Accounting for 2018/19 has been examined and accounting policies have been amended / adjusted as necessary. Changes to International Financial Reporting Standards (IFRS) have been incorporated, specifically IFRS 9 (Impairment of financial instruments) and IFRS 15 (Revenue recognition standard). Appendix 1 contains a full list of accounting policies for information.
- 5.2 The main change contained in IFRS 9 is the introduction of a forward looking expected credit loss (ECL) model replacing an incurred loss model. In summary the standard requires all financial instruments (e.g. loan notes / Investment deposits) to be examined for potential non-payment or credit risk worsening at least on an annual basis. See Accounting Policy 12 for additional information.
- 5.3 The new revenue recognition standard in IFRS 15 introduces a single model for income with prescribed steps to identify when control of goods or services passes to the customer together with associated revenue in the contract between the parties. The Council does not have any material revenue streams within the scope of the standard. Where the standard does apply accounting treatment is being modified to incorporate the additional evidence requirements for audit. See Accounting Policy 15 for additional information.
- 5.4 In applying the accounting policies set out in Appendix 1 the Council will need to make certain judgements about complex transactions or those involving uncertainty about future events. The auditors (Ernst and Young) are aware of these issues and are providing technical advice.
- 5.5 Initiatives commenced in 2017/18, with Ernst and Young, which will be completed before the end of the financial year. Examples of likely significant areas of judgement and change for 2018/19 are as follows.
- 5.6 Cambridge Investment Partnership (CIP)**  
The Council is a partner in CIP LLP with Hill Investments. The Council needs to ensure that it brings its share of the financial performance of

CIP into its own and group financial statements on the correct basis. Each new project in the CIP will be set up as a separate legal entity and arrangements for assets, financing and operating profits / (losses) will be determined on an individual basis. Accounting Policies 17 and 27 refer.

#### **5.7 Clay Farm, Community Centre**

The Clay Farm Centre opened its doors to the public on Wednesday 4 April 2018 at 9am. The construction costs incurred by the Council included the cost of flats on the upper floors of the building which will be transferred for a lease premium to a housing association. The Council has reviewed the accounting treatment for this lease premium and believes that it will be recognised as a capital receipt for the disposal of the upper floors. There is also a need to apportion the costs of the building to identify those which need to be written out on transfer to the third party.

#### **5.8 Business Rates Appeals Provision**

There was a business rates revaluation which took effect on 1 April 2017 ('The 2017 List') and changed the rateable values of assessable properties. At the same date the Valuation Office Agency (VOA) introduced changes to the appeals process for business rates valuations – introducing a system known as 'Check, Challenge, Appeal'.

5.9 The Council estimates an appropriate provision for appeals, both already made and yet to be made in respect of the rates payable for any year. It also updates the provision for prior years each year based on available information. In respect of the 2005 and 2010 lists the appropriate level of provision has been assessed using a third party information service.

5.10 The Council has yet to see any significant appeals against the 2017 List which in part reflects the new process and also the introduction of reliefs by government, particularly the increase in the Small Business Rate Relief. In the absence of any other data it is proposed to maintain the 5% provision level introduced in 2017/18 for 2018/19.

#### **5.11 Cambridge Live**

A review of all contracts was carried out in 2018 and It concluded that Cambridge Live have been unable to deliver events management within the financial targets set in the contract. All services and staff will be transferred back to the Council from the 1<sup>st</sup> April 2019.

5.12 Currently Company accounts for 2017/18 have been prepared but have not been signed by their Auditors due to going concern issues. It has been agreed these accounts will not be lodged with Companies House and the accounting reference date will be changed to 30 September 2018 to facilitate an 18 month set of accounts. A further set of accounts, 1 October 2018 to 31 March 2019 will also be prepared at the appropriate time to facilitate consolidation into the group accounts of the council.

5.13 Control of Cambridge live in these circumstances is deemed to have passed to the Council on 1<sup>st</sup> October 2018 and this will dictate the accounting treatment required in the Annual statement of accounts of the Council.

#### 5.12 **Future Events**

National issues as highlighted below may have a bearing on the preparation of the accounts. Areas such as valuation of assets and determination of income and associated debt are the immediate areas of concern as work currently being done may need to be revisited prior to finalisation of the accounts

5.13 There is a high degree of uncertainty in respect of future levels of funding for local government. The current settlement gives some certainty until 2019/20 currently. However there are clauses in the agreement that if the government does not meet fiscal targets then local government funding can be revisited. In addition the auditors will continue to examine the going concern principle if levels of funding continue to decrease together with all major economic assumptions that form the basis of the statement of accounts.

5.14 The financial impact of the United Kingdom leaving the European Union is as yet uncertain. It could be positive or negative, but it is likely to affect interest and inflation rates, labour costs and property and rental values. Timing is of concern as the current date for change is the 29 March 2019 just prior to the end of the financial; year.

5.15 This situation is being carefully monitored in line with other national events and is a standing item for discussion with the auditors and external valuers.

## **6. Implications**

### **(a) Financial Implications**

The financial implications of the policies and judgements outlined above will be reflected in the 2018/19 Statement of Accounts.

### **(b) Staffing Implications**

None

### **(c) Equality and Poverty Implications**

None

### **(d) Environmental Implications**

None

### **(e) Procurement Implications**

None

### **(f) Community Safety Implications**

None

## **7. Consultation and communication considerations**

The Statement of Accounts will be published on the Council's website by 31May and will be open for public inspection.

## **8. Background papers**

The Code of Practice on Local Authority Accounting 2018/19

## **9. Appendices**

Appendix 1 – Accounting Policies

## **10. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Ken Trotter, Interim Deputy Head of Finance, Tel: 01223 - 458138, email: [ken.trotter@cambridge.gov.uk](mailto:ken.trotter@cambridge.gov.uk)

## **Appendix 1**

### **Draft Statement of Accounting Policies 2018/19**

#### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require 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 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

#### **2 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for 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 debtors is written down and a charge made to revenue for the income that might not be collected.

### **3 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 highly liquid investments that mature in less than three months from the date of acquisition and that are convertible to known amounts of cash with an insignificant risk of change in value.

The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

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.

### **4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **5 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and 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. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is increased and the HRA balance is decreased by a sum equal to depreciation on all HRA non-current assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

## **6 Council Tax and Non-domestic Rates**

The council acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors in the area (including government for NDR) and, as a principal, collecting council tax and NDR for itself. The council is required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, the council, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### ***Accounting for Council Tax and NDR***

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the General Fund of the Council. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MIRS).

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears. Impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **7 Employee Benefits**

### ***Benefits Payable During Employment***

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is charged to the Surplus or Deficit on the Provision of Services, 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 and are charged on an accruals basis to 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 termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at year end.

### ***Post-Employment Benefits***

Employees of the Council are members of the Local Government Pension Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cambridgeshire County Council pension fund 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the yields of the constituents of the iBoxx £ Corporates AA index, gilts yields, and the Council's weighted average duration).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price

- Property – market value
- The change in the net pensions liability is analysed into the following components:

*Service Cost comprising:*

- Current service cost – the increase in liabilities as a 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Net Interest on the net defined benefit liability – i.e. the net interest expense for the Council. This is the change during the period in the net defined benefit liability 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 obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

*Remeasurements comprising:*

- The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Cambridge City Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve 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. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

## **8 Events after the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Account.

## **9 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

## **10 Fair value measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets 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

- a) in the principal market for the asset or liability, or

- b) 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 the 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 authority 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.

## **11 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest

charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/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.

## 12 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 cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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 then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and

Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

Any gains and losses that arise on the de-recognition of an asset are credited/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. 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 substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

Group 2 – Loans to related parties such as the Cambridge Investment Partnership (CIP), a joint venture between Cambridge City Council and Hill Investment Partnerships. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Group 3 – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

### ***Financial Assets Measured at Fair Value through Profit or Loss***

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

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

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

### **13 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, 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 will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (Attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## **14 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licence) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

## **15 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

Long-Term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

## **16 Investment Property**

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 a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, but assets included in the Balance Sheet are revalued sufficiently regularly in a rolling 5 year cycle to ensure that their carrying amount is not materially different from their fair value at the year-end. 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 are therefore reversed out 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.

## **17 Joint Operations**

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the

assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

## 18 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 and the fair value of the property, plant or equipment at lease inception is above the Council's de-Minimis levels of £2,000 for vehicles and £15,000 for other items. 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.

### ***The Council as Lessee***

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured 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. 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. 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 – applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease).

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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### *Operating Leases*

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

### ***The Council as Lessor***

#### *Finance Leases*

Where the Council grants a finance lease over 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 also 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 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 liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be 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, this 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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. 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 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.

## **19 Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## 20 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### ***Recognition***

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimis level of £2,000 has been adopted for vehicles and £15,000 for all other items. Assets that cost less than these limits are classified as revenue, rather than capital expenditure.

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately, which is estimated to be about 25% of the gross costs. The Council accounts for 75% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

### ***Measurement***

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Operational land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.
- Surplus assets – the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- Vehicles, Plant & Equipment – as these assets have short lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### ***Impairment***

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### ***Depreciation***

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable

finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuers
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Depreciation is based on the value of assets as at 1 April, so no charge is made in the year of acquisition and a full charge is made in the year of disposal.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### ***Disposals and non-current assets held for sale***

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

The Council is undertaking a number of housing redevelopments where part of the cost of building social housing units is being 'paid' by the transfer of land on which the developer will build and sell market units. The Council assesses that it transfers the risks and rewards of ownership of this land at the point that the agreement with the developer

becomes unconditional rather than at legal disposal (once the value of social housing build work equals the value of the land).

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to assets held for sale.

When an asset is disposed of or decommissioned, 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 also as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 21 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

### ***Civic Regalia***

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. Further information on the most significant items in the collection can be found on the Council's website.

### ***Art Collection***

The art collection (both oil and watercolour) includes portraits of historic figures with links to the city (many of them previous mayors and MPs) and paintings of the city. These items are reported in the balance sheet at insurance valuation which is based on market values. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The civic regalia and art collection are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation. The Council does not normally make any purchases or disposals of these items. The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

### ***Cellarer's Chequer***

The Council owns Cellarer's Chequer on the site of Barnwell Priory. The Cellarer was the second most important position in a monastery after the Abbot, dealing with the sourcing of provisions and supplies for the community. The Chequer is constructed from Barnack Stone with a tiled roof. It is in Early English style and is thought to be mid 13<sup>th</sup> century,

retaining a doorway, windows and fireplace from this period. Further details can be found on the Council's website.

The Council considers that obtaining an accurate valuation for the Chequer would involve a disproportionate cost in comparison to the benefits to users of the accounts. This is because of the lack of comparable values. Consequently this asset is not recognised on the balance sheet.

## **22 Provisions, Contingent Liabilities and Contingent Assets**

### ***Provisions***

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### ***Contingent Liabilities***

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of 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 Balance Sheet but disclosed in a note to the accounts.

### ***Contingent Assets***

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **23 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **24 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or 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.

## **25 Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **26 Foreign Exchange Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **27 Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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Item

## EXTERNAL AUDIT 2018/19 AUDIT PLAN

**To:**

Civic Affairs Committee 30/01/2019

**Report by:**

Caroline Ryba, Head of Finance

Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

**Wards affected:**

None directly affected

### 1. Introduction

- 1.1 The attached Audit Planning report (Appendix 1) from Ernst & Young (EY) summarises the strategy for the audit of the financial statements and the associated value for money (VFM) conclusion for 2018/19.
- 1.2 The report also highlights significant accounting and auditing matters to provide the Civic Affairs Committee with an overview of the initial risk identification and any changes in risks identified in the current year.
- 1.3 EY staff will be available to discuss their report and answer any detailed questions arising from it.

### 2. Recommendations

- 2.1 That the contents of the external audit plan are noted.

### **3. Background**

3.1 In line with the National Audit Office Code of Audit Practice, Ernst & Young are required to review and report on:

- Financial statements prepared by the Council
- 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 of Audit Practice. (The “Value for Money” (VFM) conclusion)

3.2 The attached report details the approach that EY will use in relation to the 2018/19 audit. It specifies the work they will undertake, when they anticipate doing this work and how they will report their findings. It also details an initial assessment of the key risks with regard to the financial statements.

### **4. Implications**

#### **(a) Financial Implications**

The audit fee relating to the costs of the 2018/19 audit work can be met from existing budgets

#### **(b) Staffing Implications**

None

#### **(c) Equality and Poverty Implications**

None

#### **(d) Environmental Implications**

None

#### **(e) Procurement Implications**

None.

#### **(f) Community Safety Implications**

None

### **5. Consultation and communication considerations**

None

## **6. Background papers**

No background papers were used in the preparation of this report.

## **7. Appendices**

Appendix 1 – Ernst and Young Annual Audit Plan 2018/19

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Ken Trotter, Interim Deputy Head of Finance, Tel: 01223 - 458138, email: [ken.trotter@cambridge.gov.uk](mailto:ken.trotter@cambridge.gov.uk).

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**Cambridge City  
Council**  
**Audit planning report**  
Year ended 31 March 2019

21 January 2019



Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Market Square  
Cambridge  
CB2 3Q

21 January 2019

Dear Committee Members

**Audit Plan for discussion**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Civic Affairs Committee with a basis to review our proposed audit approach and scope for the 2018/19 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 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.

This report is intended solely for the information and use of the Civic Affairs 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 30 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

For and on behalf of Ernst & Young LLP

# Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). 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 (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 Civic Affairs Committee and management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee, and management of Cambridge City 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 Civic Affairs Committee and management of Cambridge City 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.



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01

# Overview of our 2018/19 audit strategy



# Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Civic Affairs 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 from PY	Details
Management Override: 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.
Risk of inappropriate capitalisation of revenue expenditure	Fraud risk	Change in focus	We have identified that the specific risk of management override is inappropriate capitalisation of revenue spending.
Valuation and impairment of Property, Plant and Equipment (PPE) and Investment Property (IP)	Inherent risk	No change in risk or focus	PPE and IP represent the largest asset values on the Council's balance sheet. Land and buildings are initially measured at cost and then revalued to fair value. Council dwellings are revalued annually whilst other land and buildings and investment property are revalued on a minimum 5 year rolling basis. The Council will engage an external expert valuer who will apply a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment. We undertake procedures on the use of management experts and the assumptions underpinning fair value estimates.
Pension liability	Inherent risk	No change in risk or focus	The Council is a member of a defined benefit pension scheme. Accounting for this scheme involves estimation and judgement. The Pension liability is one of the largest balances on the balance sheet.
Capital transactions	Inherent risk	No change in risk or focus	We are aware that the Council is undertaking a number of large capital transactions, either themselves, or with a partner, some of which will span financial years. The Council needs to put in place sound financial and governance arrangements, understand the implications on its finances, account for the arrangements appropriately and ensure they are disclosed properly in the accounts.

# Overview of our 2018/19 audit strategy

## Audit risks and areas of focus...continued

Risk / area of focus	Risk identified	Change from PY	Details
Group accounting	Inherent risk	<b>No change in risk or focus</b>	There are a number of entities within the Council's group arrangements. It is important that the Council continues to perform a detailed assessment to ensure that all potential associates and joint ventures are appropriately recognised in the accounts.

In addition to the identified risks we also highlight to the Committee:

1. Two new accounting standards which the Council is required to implement for 2018/19. Whilst the Council does not expect IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) to have a significant impact, we will review the Council's impact assessment of the new standards and check the resultant disclosure in the accounts to the requirements of the Code.
2. The Council's long standing and very competent Principal Accountant departed the role in January 2019. The Council put in place interim arrangements which included a period of handover and information sharing. It is in the process of recruiting a permanent replacement. The Council will need to ensure that its plan to prepare the 2018/19 accounts recognises the changes in personnel.

## 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 Cambridge City Council give a true and fair view of the financial position as at 31 March 2019 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.

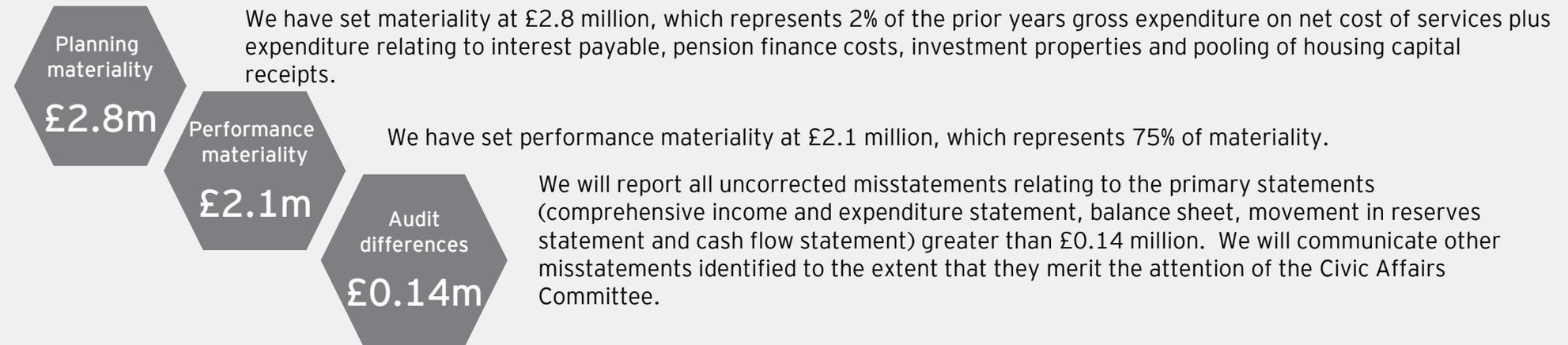
When planning the audit we take into account several key inputs:

- 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.

# Overview of our 2018/19 audit strategy

## Materiality



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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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

## Audit team changes

Suresh Patel remains your engagement partner, ensuring continuity of understanding you and key relationships with the Section 151 officer, Chief Executive and Civic Affairs Committee. Suresh will be supported by Melanie Richardson, who replaces Hayley Clark as your audit manager. Melanie has 25 years of experience auditing local councils and is also the manager of the audit of Cambridgeshire and Peterborough Combined Authority.



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# 02 Audit risks

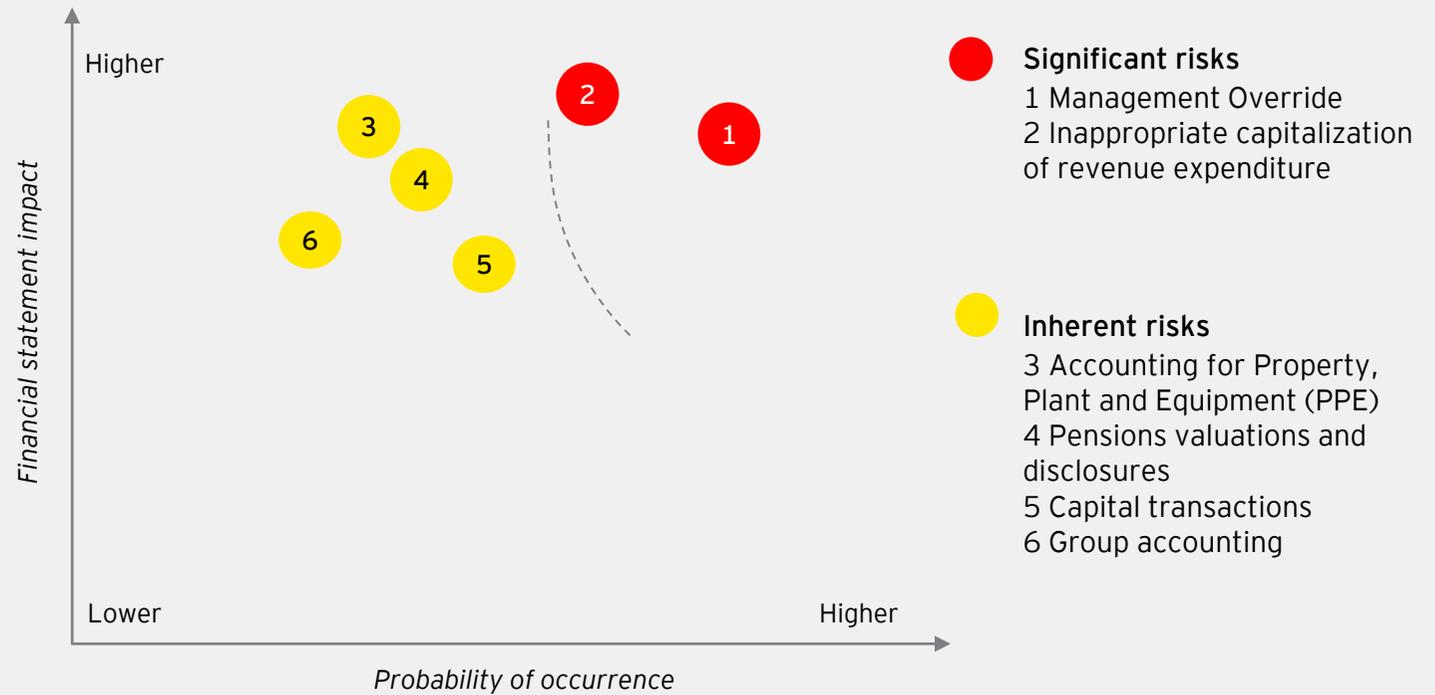


# Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017/18 Statement of Accounts and combined it with our understanding of the sector to identify key risks that impact our audit for 2018/19.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:

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## Our response to significant risks

**Management Override:  
Misstatements due to fraud  
or error**

*(Fraud Risk)*

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### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error due to management override of internal controls.

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. We identify and respond to this fraud risk on every audit engagement.

For the Council, we have assessed that this risk could manifest in:

- Inappropriate journal entries; specifically manual journals posted by management in the preparation of the financial statements.
- Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council.
- Management bias in key accounting estimates and judgements.

### What will we do?

We will:

- ▶ Identify fraud risks during the planning stages.
- ▶ Inquiry 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.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Perform mandatory procedures in relation to journal entries, and other adjustments made in the preparation of the financial statements.
- ▶ Assess the nature of any significantly unusual transactions identified.
- ▶ Consider if management bias is present in the key accounting estimates and judgements in the financial statements.

## Our response to significant risks (continued)

<p><b>Inappropriate capitalisation of revenue expenditure (Fraud risk)</b></p>	<p><b>What is the risk?</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>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. We identify and respond to this fraud risk on every audit engagement.</p>	<p><b>What will we do?</b></p> <ul style="list-style-type: none"><li>• Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised;</li></ul>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.</p>		

## Audit risks

### 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?

##### Accounting for Property, Plant & Equipment

Property, Plant and Equipment and investment properties represent a significant balance 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 Balance Sheet for land and buildings in particular.

The Council will engage external expert valuers who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

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?

We will:

- ▶ Consider 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 test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per sq m);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for property, plant and equipment and annually for investment properties. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

##### Capital Transactions

We are aware that the Council are undertaking a number of large capital transactions, either themselves, or with a partner, some of which will span financial years.

It will be important for the Council to fully understand the arrangements in place and any accounting implications so that these can be appropriately recognised in the accounts.

Our approach will focus on:

- ▶ Understanding the substance of significant one off transactions;
- ▶ Reviewing and testing the accounting treatment proposed by management to ensure that it is in accordance with accounting standards and the Code and has been recognised at the correct value and in the correct financial year; and
- ▶ Considering the completeness and accuracy of any related disclosures (for example, joint arrangements).

## Audit risks

### What is the risk/area of focus?

#### Pensions valuations and disclosures

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 administering body.

Accounting for this scheme involves significant estimation and judgement.

As (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### Group accounting

There are a number of entities within the Council's group arrangements. In 2017/18 the Council consolidated its wholly owned subsidiary Cambridge City Housing Company Ltd (CCHC) and Cambridge Investment Partnership LLP (CIP) into its Group accounts. Storeys Field Charitable Trust, Cambridge Live and Visit Cambridge and Beyond were not consolidated. The transactions for these non-consolidated entities were disclosed within related party transactions. It is important that the Council continues to perform a detailed assessment to ensure that all potential associates and joint ventures are appropriately recognised in the accounts.

### What will we do?

We will:

- ▶ Liaise with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess 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
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Our approach will focus on:

- ▶ Review and understand the group boundary assessment completed by the council to ensure all related associates and joint ventures have been correctly accounted for; and
- ▶ Consider the completeness and accuracy of the entities included within the group structure.



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 2018/19 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.

Page 6

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. In 2018/19 this will include consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that local authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At the time of writing this report we have not currently identified any significant risks. However, we will continue to monitor this throughout the audit and inform you of any changes.



04

Audit materiality



# Materiality

For planning purposes, we have set materiality for 2018/19 at £2.8m.

This represents 2% of the Council's prior year gross expenditure on net cost of services plus expenditure relating to interest payable, pension finance costs, investment properties and pooling of housing capital receipts. We will reassess it throughout the audit process. The main function of the entity is to provide services to the local community and as such the income statement is considered to be the most appropriate basis for determining materiality. We have provided supplemental information about audit materiality in Appendix C. As the Council prepares consolidated accounts we are also required to determine materiality for the purposes of the group. As the consolidated entities do not have a significant impact on the CIES we have kept the materiality levels the same for the group and the Council as a single entity.

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

# Materiality

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. We have set planning materiality at £2.8m.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.1m which represents 75% of planning materiality. This is due to our knowledge of the Council and a lack of errors in the previous year.

**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. At the time of writing our planning report group scoping is still in progress. However, as the most significant items within each of the consolidated entities relates to land and building assets we have assessed that a materiality level of c25% of performance materiality would be appropriate taking into account the combined risk assessment of the entities being consolidated, and the balance involved. As our planning in this area concludes, we will update you if there are any substantial changes.

**Audit difference threshold** - we propose that misstatements identified below this threshold (£0.14m) are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund 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 Civic Affairs Committee, or are important from a qualitative perspective.

**Specific materiality** - We have set a specific materiality for remuneration disclosures, 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 2018/19 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 Civic Affairs Committee.

Internal audit:

We will review internal audit plans and the results of any relevant work. We will consider the findings from these reports, together with reports from any other work completed in the year, as part of our detailed audit planning, where they raise issues that could have an impact on the financial statements.

## 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	A	Full scope audits
2	B	Specific scope audits
Nil	C	Review scope audits
Nil	D	Specified procedures
Nil	E	Other procedures

### Scope definitions

**Full scope:** 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. 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:** 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:** 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:** where the component team performs procedures specified by the group audit team to respond to an identified risk.

**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)

### Scoping coverage

At the time of writing this report we are awaiting further information to be able to conclude on our group scoping. However, based on our discussions with management to date we are aware that in addition to the Council's subsidiary, Cambridge City Housing Company, a further entity, Cambridge Investment Partnership will be consolidated into the accounts as a joint venture using the equity method. For both entities we understand that the impact on income and expenditure will be immaterial, however, both entities hold significant property assets that require valuation in order to align accounting policies before the balances are included in the consolidated accounts. As such our focus is on those balances that could contain a risk of material misstatement.

For Cambridge City Housing Company we anticipate undertaking the audit work ourselves. For Cambridge Investment Partnership we are awaiting further information to be able to determine whether we will undertake the work ourselves or will be required to issue group reporting instructions to the auditors of that Company. Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Once we have further information on the figures involved we will update our scoping and provide any updates to the Civic Affairs Committee as required.

### Key changes in scope from last year

- ▶ Cambridge City Housing Company was a specific scope audit in previous years, and as such there have been no changes to that entity.
- ▶ Cambridge Investment Partnership was included in the consolidated accounts for the first time in 2017/18 and will be covered as a specific scope in 2018/19.
- ▶ Cambridge Live may need to be consolidated into the Council's group accounts in 2018/19.

### Details of specified procedures

In order to respond to the risk identified in relation to the valuation of land and buildings we will either review and test the valuation performed by the Council's valuers directly for Cambridge City Housing Company or instruct the auditors of the company to undertake the procedures on our behalf.

### Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below where we should need to rely on the work of a component auditor.

- 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 and use of specialists



# Audit team and use of specialists

## Audit team

### Audit team structure:



Suresh Patel  
Lead Audit Partner

Melanie Richardson  
Audit Manager

Victor Matimba  
Lead Senior

### Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

### Audit team

The engagement team is led by Suresh Patel who has significant experience on local government audits. Suresh is supported by Melanie Richardson, Audit Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Principal Accountant. The day-to-day audit team will be led by Victor Matimba.

## Audit team and use of specialists

### 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
Valuation of Land and Buildings	Bidwells and Wilks Head and Eve (management specialists) / EY estates (where required)
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Council's Actuary).
Financial Instruments	Linked Asset Services (management specialist)
NNDR appeals provision	Analyse Local (management 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.



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# Audit timeline





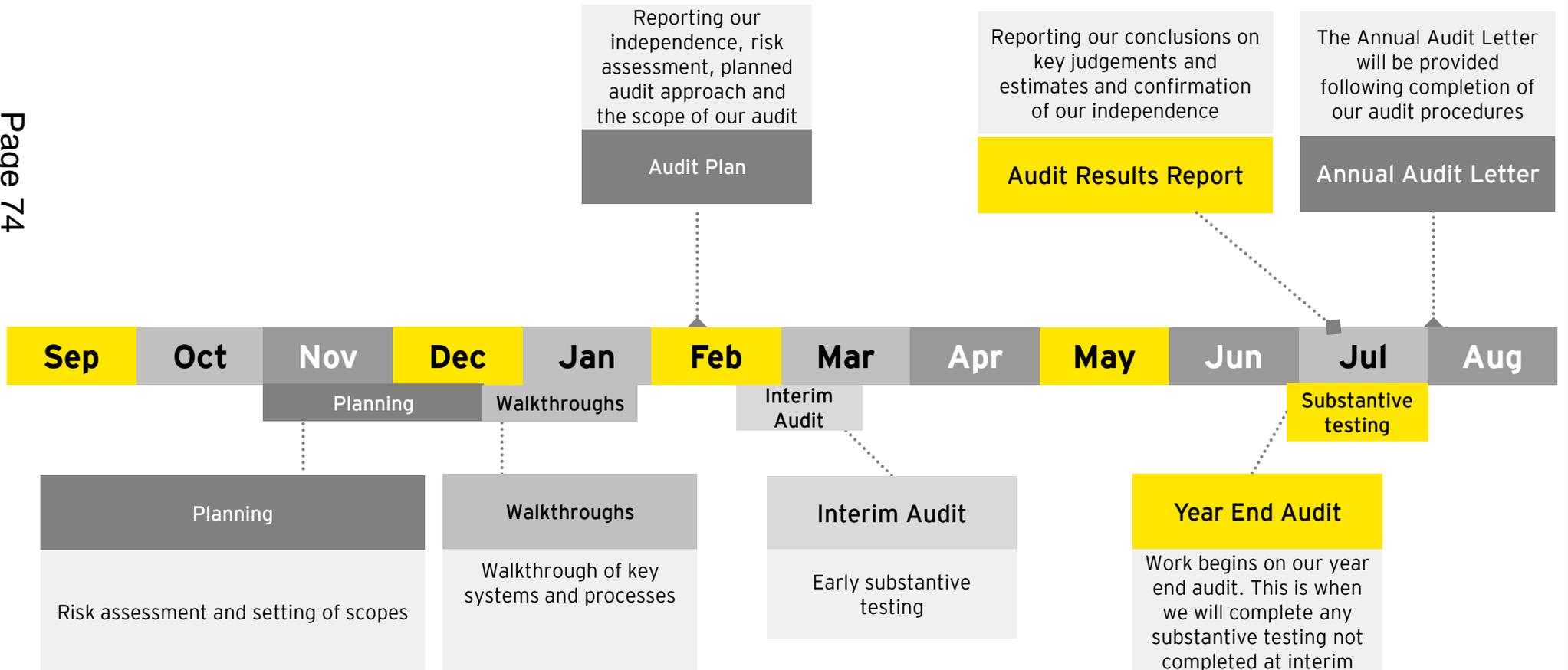
# Audit timeline

## 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 2018/19. From time to time matters may arise that require immediate communication with the Civic Affairs Committee and we will discuss them with the Civic Affairs Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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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
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ 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;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ 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;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ 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;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

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 Suresh Patel, 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 audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 23%. No additional safeguards are required.

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.

## Relationships, services and related threats and safeguards

Description of service	Related independence threat	Period provided	Safeguards adopted and reasons considered to be effective
<p>We have been engaged to undertake the audit of the Capital pooling receipts Return for 2017/18 at the request of the Council. The agreed upon procedures on the certification arrangements are due to start shortly. Our current fee level is £3,750 - £4,000 however we will update you should this amount change.</p>	<p>Self review threat - figures included in the return are also included in the 2017/18 financial statements.</p>	<p>Relates to 2017/18 return for the period to 31 March 2018.</p>	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2017/18. The agreed upon procedures focus on the specific requirements of the certification arrangements and no reliance is placed on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

## Other communications

### EY Transparency Report 2018

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 ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



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Appendices



## Appendix A

### 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. The fee for 2018/19 reflects the year 1 of the new 5 year contract awarded by PSAA.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
PSAA Scale fee	40,024	40,024	51,979
Group reporting	7,500 - 10,500	N/A	8,150
Capital transactions	7,500 - 10,500	N/A	8,750
CRMS implementation	-	N/A	19,978
Cash flow restatement	-	N/A	750
<b>Total audit fee - code work</b>	<b>55,024 - 61,024</b>	<b>40,024</b>	<b>89,607</b>
Other non-audit services not covered above (Housing Benefits Subsidy Claim)	12,568	12,568	15,077
Other non-audit services not covered above (pooling return)	3,750 - 4,250	N/A	3,750 - 4000 tbc
<b>Total other non-audit services</b>	<b>16,318 - 16,818</b>	<b>12,568</b>	<b>18,827 - 19,077</b>
<b>Total fees</b>	<b>71,342 - 77,842</b>	<b>52,592</b>	<b>108,434 - 108,684</b>

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion 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 a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

We have included a number of fee ranges above for the additional work we are required to complete as part of the current year audit. These relate to the specific areas of focus we have detailed in section 2 of this audit planning report. Due to the ongoing nature of the issues we are not yet in a position to give a definitive view on the extent of work required but will keep this under review with management and provide you with updates accordingly.

All scale fee variations will be subject to agreement with the PSAA.

As set out in the *Independence* section above, we are currently undertaking agreed upon procedures for the Capital Receipts Return for 2017/18. We will provide an update on the final fee when our work has been completed.

## Appendix B

# Required communications with the Civic Affairs Committee

We have detailed the communications that we must provide to the Civic Affairs Committee.

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Civic Affairs 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	
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 planning report	
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report	

## Appendix B

# Required communications with the Civic Affairs Committee

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Page 82 aud	<b>Misstatements</b> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
	<ul style="list-style-type: none"> <li>▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit results report
	<b>Related parties</b> <ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:                             <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul> </li> </ul>	Audit results report
<b>Independence</b> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report	

## Appendix B

# Required communications with the Civic Affairs Committee

			 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>		Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</li> </ul>		Audit results report
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>		Audit results report
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ 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</li> </ul>		Audit planning report Audit results report

## Appendix B

# Required communications with the Civic Affairs Committee

 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
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

## 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, including the board's statement that the annual report is fair, balanced and understandable, the Civic Affairs Committee reporting appropriately addresses matters communicated by us to the Civic Affairs 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.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Item

## **DRAFT PAY POLICY STATEMENT 2019/20 AND IMPLEMENTATION OF 2019 PAY AWARD**

**To:**

Civic Affairs Committee 30.01.2019

**Report by:**

Deborah Simpson, Head of Human Resources

Tel: 01223 - 458101 Email: Deborah.Simpson@cambridge.gov.uk

**Wards affected:**

All

### **1. Introduction**

- 1.1 This report sets out a draft pay policy statement as required under the Localism Act. The Localism Act requires the Council to have considered, approved and published a pay policy statement for each financial year. This must be approved by Full Council and be in place by 31<sup>st</sup> March each year.
- 1.2 The pay policy statement covers posts designated 'chief officer'. For Cambridge City Council this includes the chief executive, strategic directors and heads of service. The areas to be covered in the statement are: salary, expenses, bonuses, performance-related pay, severance payments, how election fees are paid and the pay policy on re-engagement of ex-employees. The Localism Act also requires the statement to define the lowest paid employees and the ratio to the highest earning employee.

- 1.3 In 2018 two year national pay awards (1 April 2018 to 31 March 2020) were agreed for Chief Executive's and for Chief Officers (relating to Strategic Directors and Heads of Service). Both awards were for 2% in 2018 and 2% in 2019. The pay scales shown in the Pay Policy Statement 2019 show salary levels following these two pay awards.
- 1.4 In April 2018 a two year national pay award (1 April 2018 to 31 March 2020) was also agreed for employees covered by the National Joint Council for Local Government Services (NJC), affecting pay Bands 1-11 at Cambridge City. The award was also for 2% from 1 April 2018 and 2% from 1 April 2019, and included changes to the national pay scale with effect from 1 April 2019, to be implemented locally by each council.
- 1.5 It has been necessary to redesign the Council's pay scale to enable the introduction of the NJC pay scale changes. This report includes proposed changes to the Council's pay scale affecting Bands 1 to 11, to take with effect from 1 April 2019, to enable the introduction of the amended NJC pay scale. The pay scale changes include the 2% pay award which has already been nationally agreed.
- 1.6 The Council is an accredited real Living Wage employer (currently £9.00 per hour) and pays a Cambridge Weighting supplement in addition to salary and the real Living Wage supplement, to bring the hourly rate to an equivalent of £10.00 per hour. These arrangements for employees and agency workers are unchanged by the proposed pay scale as there are still pay points of less than £10 per hour on the national pay scale.
- 1.7 This report presents the Council's Pay Policy Statement 2019/20 for consideration by Civic Affairs and Council and recommends changes to the Council's pay scale.

## **2. Recommendations**

**The Civic Affairs Committee is asked to:**

- 2.1 Consider and recommend to Council the draft Pay Policy Statement 2019/20 attached as Appendix 1.
- 2.2 To note the position on the consultation with Unison members on the proposed pay scale changes, and to receive an update at the Civic Affairs meeting.
- 2.3 Consider and recommend to Council the proposal to introduce the proposed changes to the Council's pay scale with effect from April 2019, attached in Appendix 2 and to delegate authority to the Head of Human Resources to implement the changes to the Council's pay scale.
- 2.4 To agree the renaming of the previous grade of JNC1 as 'Head of Service'.

### **3. Background and Proposals**

#### **National Pay Awards**

- 3.1 Pay awards are nationally determined in accordance with the Joint Negotiating Committee (JNC) for Chief Executives, the Joint Negotiating Committee (JNC) for Chief Officers and the National Joint Council for Local Government Services (NJC) for staff on Bands 1-11.
- 3.2 With effect from 1 April 2018 there were nationally negotiated two year pay awards affecting staff on Bands 1-11, Directors, Heads of Service and Chief Executives. The pay awards cover the period 1 April 2018 to 31 March 2020 and include for 2% on basic salary with effect from 1 April 2018 and 2% on basic salary with effect from 1 April 2019. The NJC pay award included implementation of a revised national pay scale.
- 3.3 The NJC award was complex, comprising of:
  - a two year deal over the period 1 April 2018 to 31 March 2020
  - higher percentage pay awards at the lower points on the national pay scale and 2% for most staff.
  - a pay award designed to increase the lower points on the scale in line with future national minimum wage rates and the proposed increases in the national living wage
  - in the second year (2019) redesign of the lower part of the national pay scale by consolidating some of the pay points through merging

groups of two points into one new point, up to what is currently pay point 28, and creating some new pay points.

- the national pay scale for 2019 has new numbered pay points.
- with its potentially wide spread impact across all local authorities who are part of the national negotiations, the pay award was made over two years to allow time for individual authorities to redesign their pay structures and to introduce the new national pay points.

3.4 The second year of the pay offer has led to a redesign of the Council's pay scales as pay points are consolidated or created. Detailed pay modeling has taken place in 2018 to redesign the Council's pay structure, to clarify the costs and to work with the trade unions on the changes.

3.5 This report to Civic Affairs and Full Council proposes the changes to the pay scale in time for the 1 April 2019 implementation date.

3.6 Proposals for the redesign of the pay scales have been drawn up and Unison and GMB have been consulted on these, please see Appendix 2. One proposal has been considered as suitable for implementation on the basis of:

- It introduces the new national pay points
- It includes the national pay award
- It allows for assimilation onto the new pay scales
- It allows for continued incremental progression (where possible)
- The pay bands are no longer than 7 points
- The overlap between any band is no more than one point
- It maintains our accredited real Living Wage Employer status and Cambridge Weighting.
- It is affordable within the Council's budgeting for pay inflation, incremental progression and pay provision
- The equal pay considerations have been assessed and it maintains the Council's equal pay arrangements
- The proposals include changes to all pay bands that will assist with recruitment and retention; either by increasing starting salary or by allowing for additional incremental progression.
- For existing staff on Bands 6,8,9 and 10 there is the opportunity for one more increment, subject to performance. This should aid retention in these grades.

3.7 Discussions have been held with Unison and GMB on the proposed changes to the pay scales to enable local implementation of the new national scales. Cambridge City Council uses the points on the national pay scale as the basis for pay arrangements but the structure and position of the Council's pay bands is locally determined under a collective agreement with the trade unions.

- GMB have confirmed acceptance of the proposed option and have stated a further ballot of GMB members is not required. The GMB membership has already been balloted on the two year pay deal and they believe the intended assimilation proposal would not warrant a further ballot.
- Unison has confirmed the proposal meets the criteria for proposed implementation of the national pay scales and will consult Unison members in January 2019.

3.8 Briefing sessions are being held for staff in January 2019 to outline the changes to the pay scale and assimilation arrangements. The briefings will be for information on transfer from the existing pay scales to the new salary points and arrangements for incremental progression where new incremental progression will be possible. The briefings will be taking place around the same time as Unison consult members.

3.9 An update from the trade unions and feedback from the briefing sessions with staff will be reported verbally to the Civic Affairs Committee.

3.10 The intended outcome of the above is agreement on the proposed pay scale and agreement to implement with effect from 1 April 2019. Subject to approval at Full Council we will write to each member of staff to confirm their individual position on the new pay scales.

3.11 It is proposed that the previous grade of JNC1 is renamed as 'Head of Service'. The term JNC1 had relevance when there were two heads of service grade: JNC1 and JNC2, but JNC2 was re-designated as Band 11 in 2018. All posts on JNC1 are heads of service level posts. The re-designation of the grade will give more transparency to our pay arrangements.

## **4. Implications**

### **(a) Financial Implications**

The Council made budget provision in the Medium Term Financial Strategy for 2% pay inflation in 2018 and 2019. The impact of the pay offer for 2019 has been assessed.

The proposed changes to the pay scales are affordable within the Council's budgeting for pay inflation, incremental progression and pay provision.

### **(b) Staffing Implications**

This report relates to the pay, terms and conditions of staff.

### **(c) Equality and Poverty Implications**

An equality impact assessment was undertaken for the proposed pay scale changes and an EQIA is attached as Appendix 3.

Equality information by grade is reported annually to the Equalities Panel and is available on the Council's website.

### **(d) Environmental Implications**

The proposal has no climate change impact.

### **(e) Procurement Implications**

The real Living Wage Policy as it relates to contractors is included in the Pay Policy Statement.

### **(f) Community Safety Implications**

This report relates to the pay, terms and conditions of staff and does not impact directly on community safety matters.

## **5. Consultation and communication considerations**

5.1 The Chief Executive, Strategic Directors, Head of Legal Practice, Head of Finance, Support Services Manager, Democratic Services Manager, Equality and Anti-Poverty Officer and Strategic Procurement Manager have been consulted on this report and the attached draft Pay Policy Statement.

5.2 The trade unions have been consulted on the proposed implementation of the revised pay scales.

- 5.3 This pay policy statement once approved by Full Council will be published on the Councils website. The Pay Policy Statement will be updated following agreed changes to the pay scales.
- 5.4 The changes to the pay scales affecting Bands 1-11, once agreed will be communicated to all staff individually, to enable them to see where they have been assimilated to on the new pay scale. The new pay scales will be communicated to all staff.

## **6. Background papers**

Background papers used in the preparation of this report:

- Pay Policy Statement 2018/19
- Provisions of the Localism Act relating to chief officer pay statements
- Communities and Local Government Openness and accountability in local pay: Guidance under section 40 of the Localism Act February 2012 and Supplementary Guidance February 2013.
- Local Government Association Localism Act: Pay Policy Statements Guidance (November 2011) and Supplementary Notes 1 and 2.
- City Council Pay scales
- Notification by circular from the National Joint Council for Local Government Services dated 10 April 2018 of NJC pay award.
- Notification by circular from the Joint Negotiating Committee for Chief Executives of Local Authorities dated 8 June 2018 of chief executive's pay award.
- Notification by circular from the Joint Negotiating Committee for Chief Officers of Local Authorities dated 12 July 2018 of chief officer pay award.

## **7. Appendices**

- Appendix 1- Pay Policy Statement 2019/20
- Appendix 2- Cambridge City Pay Bands 2018 and proposed for 2019
- Appendix 3- EQIA – Proposed changes to pay scales (Bands 1-11)

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Deborah Simpson, Head of Human Resources, tel: 01223 - 458101, email: [deborah.simpson@cambridge.gov.uk](mailto:deborah.simpson@cambridge.gov.uk).

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## Pay Policy Statement 2019/20

### Scope

This pay policy statement covers the posts of the chief executive, strategic directors and heads of service.

The Council is an accredited real Living Wage Employer and this statement incorporates the Council's policy on the real Living Wage. This statement also incorporates the Cambridge Weighting which is paid as a pay supplement to bring the minimum pay rate to £10.00 per hour.

The Council has a number of apprenticeship opportunities and there is a statement relating to apprenticeships.

### Salary

The salary scales for the chief executive, strategic directors and heads of service, following the nationally agreed pay award with effect from 1 April 2019, are shown below.

Progression through the pay band (a four point scale) is subject to a range of criteria that are currently assessed via the annual performance review.

<b>Chief Executive</b>	£115,299	120,197	125,086	130,013
<b>Strategic Director</b>	£88,942	92,455	95,963	99,476
<b>Head of Service</b>	£69,043	71,394	73,710	76,062

## **Review of Salary levels**

The Council has an agreement that senior officer pay scales will be reviewed every three years in line with current median level pay.

The next review of senior officer salaries will be undertaken in 2019.

## **Pay Awards**

Pay awards are nationally determined in accordance with the Joint Negotiating Committee (JNC) for Chief Executives and the Joint Negotiating Committee (JNC) for Chief Officers.

In 2018 two year national pay awards were agreed for Chief Executive's and Chief Officers (relating to Strategic Directors and Heads of Service), covering the period 1 April 2018 to 31 March 2020. Both awards were for 2% in 2018 and 2% in 2019.

## **Terms and Conditions of Employment**

The terms and conditions of employment for the chief executive, strategic directors and heads of service within the scope of this pay policy statement are determined in accordance with collective agreements, negotiated from time to time, by the JNC for Chief Executives and the JNC for Chief Officers, as set out in the Scheme of Conditions of Service. These are supplemented by local collective agreements reached with trade unions recognised by the Council and by the rules of the Council.

## **Remuneration on Recruitment**

Recruitment to the posts of chief executive and strategic director is undertaken by a committee of councillors appointed by Council, but in the case of the chief executive, the appointment is made by Full Council, following a recommendation from the Employment (Senior Officer) Committee. The salary on recruitment will be within the current salary range for these posts at that time.

Recruitment to posts of head of service is undertaken by the chief executive or a strategic director and is subject to notification to Executive Councillors before a job offer can be made. The salary on recruitment will be within the current salary range for these posts at that time.

There are occasions when the salary determined by the grading for a post results in an inability to successfully recruit to or retain staff in particular posts or specific occupational areas, due to fluctuations in the labour market supply. These recruitment and retention problems can affect ability to deliver services. In such cases it may be appropriate to pay a market supplement in addition to the salary where there is evidence to justify that market factors are the "material reason" for the post attracting a higher rate of pay than other posts graded similarly. Any additional market supplement will be made in accordance with the Market Pay Policy.

There may be occasions when due to recruitment and retention difficulties within a specific service area or role, it may be more appropriate to use a recruitment and retention package approach than a market supplement. Such an approach offers a fixed lump sum payment for new appointments or to the staff in identified roles at a given date. The payment is tied to a defined retention period (two years) and must be repaid in full if the

person leaves the employment of the Council within the designated period. The aim of this approach is to recruit new staff and retain existing staff where there is evidence of both types of difficulty and a market supplement approach is assessed as less effective.

Rules governing the recruitment of the chief executive, strategic directors and heads of service are set out in the councils constitution in section; Part 41, Officer Employment Procedure Rules.

### **Bonuses**

There are no bonus arrangements payable to the chief executive, strategic directors or heads of service.

### **Performance Related Pay**

Performance and progression through the pay band is assessed annually in line with the Council's performance review schemes. For the chief executive and strategic directors, performance is assessed by a panel of councillors, the Chief Officer Performance Review Working Party. For heads of service, performance is assessed by their strategic director.

There is no performance related pay scheme outside of the performance review scheme, which determines the salary point of an officer, within the salary scale set out above.

### **Salaries over £100,000**

The post of chief executive is the sole post which carries a salary range of over £100,000.

### **Publication of salary data**

Salary data for the chief executive, strategic directors and heads of service is published on the council's website, in the Open Data, Transparency in local government, senior salaries or Senior Council Officers sections.

This pay policy statement once approved by Full Council will be published on the Councils website.

### **Expenses**

The expenses which may be payable to the chief executive, a strategic director or head of service include:

- car/bicycle/motorcycle allowances at HMRC rates
- re-imbusement of travel and subsistence
- one professional subscription per annum
- payments under the eye sight tests scheme
- relocation assistance in accordance with the Relocation Scheme

### **Severance Payments**

Severance payments are made in accordance with the council's employment policies and are the same for all staff.

Employees with more than two years' service will be entitled to redundancy pay in line with

local government guidelines and statutory provisions. Redundant employees may receive the following elements in their final pay:

- Normal pay up to the agreed leaving date
- Where applicable, payment in lieu of outstanding notice
- Severance payment (where entitled).

Under the council's redundancy scheme a weeks pay will be calculated on the basis of actual weekly pay. Cambridge City Council will not apply the statutory weeks pay definition.

Employees in the pension scheme and who are over age 55 are entitled to immediate onset of pension benefits based on actual reckonable service if:

- They are over 55 at the termination date
- They meet the two years vesting period in the Local Government Pension Scheme (LGPS)

Once an employee is in receipt of early payment of pension benefits, if their total pay and pension benefits together (if reemployed by another employer covered by the Local Government Modification order) exceeds their salary as at the leaving date, the difference may be claimed back from pension payments.

An employee will lose their entitlement to redundancy pay if they take up a post with another body covered by the Redundancy Payments (Local Government) (Modification) (Amendment) Orders within 4 weeks of the date of the redundancy and the offer of the new job has been made before the end of the original contract.

The chief executive, monitoring officer and chief finance officer can only be dismissed by the full council. All other directors and heads of service can only be dismissed in accordance with the Councils constitution, Part 41, Officer Employment Procedure Rules.

Any proposals with a salary or severance package with a total value over £100k will be reported by the Employment (Senior Officer) Committee to Full Council for decision.

## **Pension and Pension Enhancements**

The employees within the scope of this pay policy are entitled to and receive pension contributions from the Local Government Pension Scheme (LGPS). This is a contributory scheme and they currently contribute between 9.9% and 11.4% of their pensionable pay to the scheme.

The employer contribution rate is currently 17.4% i.e. the council contributes 17.4% of pensionable pay to the pension of a member of staff within the pension scheme. The rate of 17.4% is the same for all staff. The rate is reviewed every 3 years following a valuation of the fund by the appointed actuaries. The next review will be in 2019, with the outcome effective for 2020/21.

The Council's discretions on enhancement of pension are set out in the Pensions Discretion Statement 2014. This policy was approved by the Civic Affairs Committee on the 25 June 2014. The policy is currently being reviewed in line with the requirement that Council officers review the statement every 3 years and / or in line with changes to the

Local Government Pension Scheme (LGPS) as advised by the Local Government Pensions Committee (LGPC) and the Administering Authority (Cambridgeshire County Council), and will go before Civic Affairs in January 2019 for approval.

## **Pay Ratios**

### **Relationship to lowest paid and Chief Executive and median average of employees**

The lowest paid staff within the Council's pay structure are on Band 1. For this reason we have chosen staff employed on Band 1 as our definition of the 'lowest paid' for the purposes of this policy. The current lowest pay point is £16,755 but with effect from 1 April 2019 this will be £17,711.

Cambridge City Council is an accredited real Living Wage employer and also pays a Cambridge Weighting supplement. This means that the minimum pay level for employees is £10.00 per hour, equivalent to £19,294.

The terms and conditions of employment for Band 1 staff are in accordance with collective agreements, negotiated from time to time, by the National Joint Council for Local Government Services, as set out in the Scheme of Conditions of Service (commonly known as the Green Book). These are supplemented by local collective agreements reached with trade unions recognised by the Council and by the rules of the Council.

Pay policies which apply to Band 1 employees include:

- car/bicycle/motorcycle mileage at HMRC rates
- re-imbursement for travel and subsistence
- overtime/enhanced rates
- standby and callout arrangements
- one professional subscription per annum
- payments under the eye sight tests scheme
- Travel scheme (where applicable)

The highest paid officer of the council is the chief executive, with a current salary of £127,464 (£130,013 on 1.4.19). With effect from 1 April 2019 the chief executive's salary scale will run from £115,299 to £130,013.

The ratio between the highest and lowest pay points on 1.4.19 will be: - 1:7.3

The ratio of the chief executive's current salary (2018) and current the lowest pay point is - 1:7:6

The current median average salary (2018) of all Cambridge City Council staff is - £27,358.

The ratio of the chief executive's current salary to the current median average salary is - 1:4.6

The Council does not have a policy on maintaining or reaching a specific pay ratio between the lowest and highest paid staff.

## **Real Living Wage**

The Council has adopted a real Living Wage policy for staff, agency workers and contractors engaged through the Council's Procurement processes.

The Council will pay the real Living Wage rate for Cambridge City Council staff, by way of a supplement to pay rates.

The Council will pay the minimum of the real Living Wage rate to agency workers after 4 weeks of their engagement with the City Council.

The Council will require contractors engaged through the Council's procurement processes to deliver services on Council premises to pay their employees/sub-contractor employees who work on the premises for 2 or more hours on any day in a week for 8 or more consecutive weeks in a year at least the real Living Wage rate. The only contracts that will be excluded from the requirement to pay the real Living Wage are:

- contracts where it would be unlawful to require the payment of the real Living Wage
- Contracts where, following evaluation, it is considered inappropriate to impose the requirement.

The real Living Wage is £9.00 per hour (£17,362 per annum).

## **Cambridge Weighting**

The Council implemented a Cambridge Weighting with effect from 1 April 2018, paid to employees and agency workers earning less than £10 per hour. For employees the weighting is paid in addition to salary and the real Living Wage supplement, to bring the hourly rate to an equivalent of £10 per hour (£19,294). For agency workers the weighting applies in addition to current hourly rates and the real Living Wage arrangements. The weighting is variable, depending upon the current hourly rate and the real Living Wage supplement payable at that time.

## **Pay Ratios and the real Living Wage and Cambridge Weighting**

The pay ratios based on a minimum pay rate of £10.00 are as follows:

The ratio between the highest pay point (1.4.19) and the minimum pay rate of £10.00: – 1:6.7

The ratio of the chief executive's current salary and the minimum pay rate of £10.00: - 1:6.6

The current median average salary of all Cambridge City Council staff (including the real Living Wage and Cambridge weighting supplements) is £27,358

The ratio of the chief executive's current salary to the median average salary, including the real Living Wage and Cambridge weighting supplements is -1:4.6

## **Apprentices**

The Council has engaged a number of apprentices in apprenticeship roles. These roles have been created by services as development opportunities, to support the apprenticeship programme. These roles do not replace existing posts and are outside of the real Living Wage and Cambridge Weighting policies.

The national minimum apprenticeship wage is currently £3.70. (£3.90 on 1.4.19)

As a council we pay apprentices in line with the National Living Wage/Minimum Wage Rates in their first year of apprenticeship. For apprentices under 18 this is currently £4.20; apprentices aged 18-20, £5.90; apprentices aged 21-24, £7.38 and for apprentices aged 25 and over, £7.83.

The apprentice rates increase with effect from 1 April 2019: for apprentices under 18 to £4.35; apprentices aged 18-20, £6.15; apprentices aged 21-24, £7.70 and for apprentices aged 25 and over, £8.21.

## **Pay Ratios and Apprenticeships**

The pay ratios based on the lowest pay rate for an apprentice at Cambridge City Council is currently £5.90 (for the first year) are as follows:

The ratio between the highest pay point with effect from 1.4.19 (£6.15) and the apprenticeship rate is - 1:11.0

The ratio of the chief executive's current salary and the apprentice rate is - 1:11.2

The median average salary of all Cambridge City Council staff, including apprentices is £27,358.

The ratio of the chief executive's current salary to the median average salary, including apprentices is -1:4.6

## **Election Fees**

The Returning Officer is the person who has the overall responsibility for the conduct of elections. The Returning Officer is an officer of the Council who is appointed under the Representation of the People Act 1983. Although appointed by the Council the role of the Returning Officer is one of a personal nature and distinct and separate from their duties as an employee of the Council. Elections fees are paid for these additional duties and they are paid separately to salary.

The Chief Executive is the council's Returning Officer.

The fees for Parliamentary, Police & Crime Commissioner, Euro Elections and national referenda are set by the Government. The fees for County Council elections are set by the County Council. The fees for the Combined Authority Mayoral election are set by the combined authority. The fees for Parliamentary and European Elections are pensionable.

Fees for district elections are set locally and current fees were agreed by the Civic Affairs Committee in April 2010 as £373 per contested ward and £55 per uncontested ward. Fees for district elections are pensionable.

Other officers, including senior officers within the scope of this policy, may receive additional payment for specific election duties.”

### **Tax Avoidance and IR35**

The Council takes tax avoidance seriously and will seek to appoint individuals to vacant positions using the recruitment procedures on the basis of contracts of employment and apply direct tax and National Insurance deductions from pay through the operation of PAYE.

Where consultants are recruited the Council will seek to avoid contractual arrangements which could be perceived as being primarily designed to reduce significantly the rate of tax paid by that person, such as paying the individual through a company effectively, controlled by him or her.

These principles will be embedded in contract clauses and guidance for managers when employing consultants.

In addition workers employed directly by the Council will be assessed to establish whether they fall within scope of the IR35 legislation using the HMRC employment status tool. Workers that fall within scope will have Income Tax and National Insurance contributions deducted and paid over to HMRC.

The Council will continue to advise employment agencies for each role, whether the role has been assessed to be within scope of IR35, or not.

### **Re-engagement of ex City Council staff within the scope of this policy**

All permanent or fixed term posts are advertised in accordance with the council's recruitment policies and appointment is made on merit.

Interim management appointments are made in accordance with the council's procurement policies and the provisions for contract for services.

The council will not engage an ex city council member of staff within the scope of this policy outside of these arrangements.

**February 2019**

**Cambridge City NJC Paybands**

01/04/2018				01/04/2019			
SCP	£	Band	Hourly Rate £	SCP	£	Band	Hourly Rate £
9	£16,755	Band 1	£8.68	1	£17,364	Band 1	£9.00
10	£16,863		£8.74	2	£17,711		£9.18
11	£17,007		£8.82	3	£18,065		£9.36
12	£17,173		£8.90	4	£18,426		£9.55
13	£17,391		£9.01	5	£18,795		£9.74
14	£17,681		£9.16	6	£19,171		£9.94
15	£17,972	Band 2	£9.32	7	£19,554	Band 2	£10.14
16	£18,319		£9.50	8	£19,945		£10.34
17	£18,672		£9.68	9	£20,344		£10.54
18	£18,870		£9.78	10	£20,751		£10.76
19	£19,446		£10.08	11	£21,166		£10.97
20	£19,819		£10.27	12	£21,589		£11.19
21	£20,541	Band 3	£10.65	13	£22,021	Band 3	£11.41
21	£20,541		£10.65	14	£22,462		£11.64
22	£21,074		£10.92	15	£22,911		£11.88
23	£21,693		£11.24	16	£23,369		£12.11
24	£22,401		£11.61	17	£23,836		£12.35
25	£23,111		£11.98	18	£24,313		£12.60
26	£23,866	Band 4	£12.37	19	£24,799	Band 4	£12.85
26	£23,866		£12.37	20	£25,295		£13.11
27	£24,657		£12.78	21	£25,801		£13.37
28	£25,463		£13.20	22	£26,317		£13.64
29	£26,470		£13.72	23	£26,999		£13.99
30	£27,358		£14.18	24	£27,905		£14.46
31	£28,221	Band 5	£14.63	25	£28,785	Band 5	£14.92
32	£29,055		£15.06	26	£29,636		£15.36
33	£29,909		£15.50	27	£30,507		£15.81
34	£30,756		£15.94	28	£31,371		£16.26
35	£31,401		£16.28	29	£32,029		£16.60
36	£32,233		£16.71	30	£32,878		£17.04
37	£33,136	Band 6	£17.18	31	£33,799	Band 6	£17.52
37	£33,136		£17.18	31	£33,799		£17.52
38	£34,106		£17.68	32	£34,788		£18.03
39	£35,229		£18.26	33	£35,934		£18.63
40	£36,153		£18.74	34	£36,876		£19.11
41	£37,107		£19.23	35	£37,849		£19.62
42	£38,052	Band 7	£19.72	36	£38,813	Band 7	£20.12
43	£39,002		£20.22	36	£38,813		£20.12
44	£39,961		£20.71	37	£39,782		£20.62
45	£40,858		£21.18	38	£40,760		£21.13
46	£41,846		£21.69	39	£41,675		£21.60
47	£42,806		£22.19	40	£42,683		£22.12
47	£42,806	Band 8	£22.19	41	£43,662	Band 8	£22.63
48	£43,757		£22.68	41	£43,662		£22.63
49	£44,697		£23.17	42	£44,632		£23.13
50	£45,646		£23.66	43	£45,591		£23.63
51	£46,652		£24.18	44	£46,559		£24.13
52	£47,678		£24.71	45	£47,585		£24.66
53	£48,728	Band 9	£25.26	45	£47,585	Band 9	£24.66
54	£49,803		£25.81	46	£48,632		£25.21
55	£52,025		£26.97	47	£49,703		£25.76
56	£53,586		£27.78	48	£50,799		£26.33
57	£55,146		£28.58	49	£53,066		£27.51
58	£56,707		£29.39	49	£53,066		£27.51
101	£58,499	Band 10	£30.32	50	£54,658	Band 10	£28.33
102	£60,805		£31.52	51	£56,249		£29.16
103	£63,113		£32.71	52	£57,841		£29.98
104	£65,382		£33.89	101	£59,669		£30.93
				101	£59,669		£30.93
				102	£62,021		£32.15
			103	£64,375	£33.37		
			104	£66,690	£34.57		

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### Cambridge City Council Equality Impact Assessment (EqIA)

This tool helps the Council ensure that we fulfil legal obligations of the [Public Sector Equality Duty](#) to have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Guidance on how to complete this tool can be found on the Cambridge City Council intranet. For specific questions on the tool email Helen Crowther, Equality and Anti-Poverty Officer at [equalities@cambridge.gov.uk](mailto:equalities@cambridge.gov.uk) or phone 01223 457046. Once you have drafted the EqIA please send this to [equalities@cambridge.gov.uk](mailto:equalities@cambridge.gov.uk) for checking. For advice on consulting on equality impacts, please contact Graham Saint, Strategy Officer, ([graham.saint@cambridge.gov.uk](mailto:graham.saint@cambridge.gov.uk) or 01223 457044).

<b>1. Title of strategy, policy, plan, project, contract or major change to your service:</b>
Proposed changes to the Council's pay scales affecting Bands 1 to 11.
<b>2. Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)</b>
Report to Civic Affairs on 30 January 2019.
<b>3. What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?</b>
<p>In April 2018 a two year national pay award (2018-2020) was agreed affecting pay Bands 1-11 at Cambridge City Council. The award was for 2% from 1 April 2018 and 2% from 1 April 2019. The pay award also included changes to the national pay scale with effect from 1 April 2019, to be implemented locally by each council.</p> <p>It has been necessary to redesign the Council's pay scale to enable the introduction of the national pay scale changes. The proposal is for changes to the Council's pay scale affecting Bands 1 to 11, to take with effect from 1 April 2019, to enable the introduction of the National Joint Council for Local Government Services (NJC). The pay scale changes include the 2% pay award which has already been nationally agreed.</p>
<b>4. Responsible Service</b>
Human Resources

<b>5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)</b>
<input type="checkbox"/> Residents of Cambridge City <input type="checkbox"/> Visitors to Cambridge City <input checked="" type="checkbox"/> Staff
Please state any specific client group or groups (e.g. City Council tenants, tourists, people who work in the city but do not live here):

**5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)**

**6. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)**

- New
- Major change
- Minor change

**7. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)**

- No
- Yes (Please provide details):

All services and all staff on pay bands 1-11.

**8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?**

Civic Affairs on 30 January 2019 and Full Council on 21 February 2019.

**9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?**

An equality impact assessment has been undertaken on the pay proposals, based on the transfer of current staff from the existing to the revised pay scales. (This EqIA identifies impacts on protected characteristics based on equalities monitoring information about current staff employed by Cambridge City Council.) Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

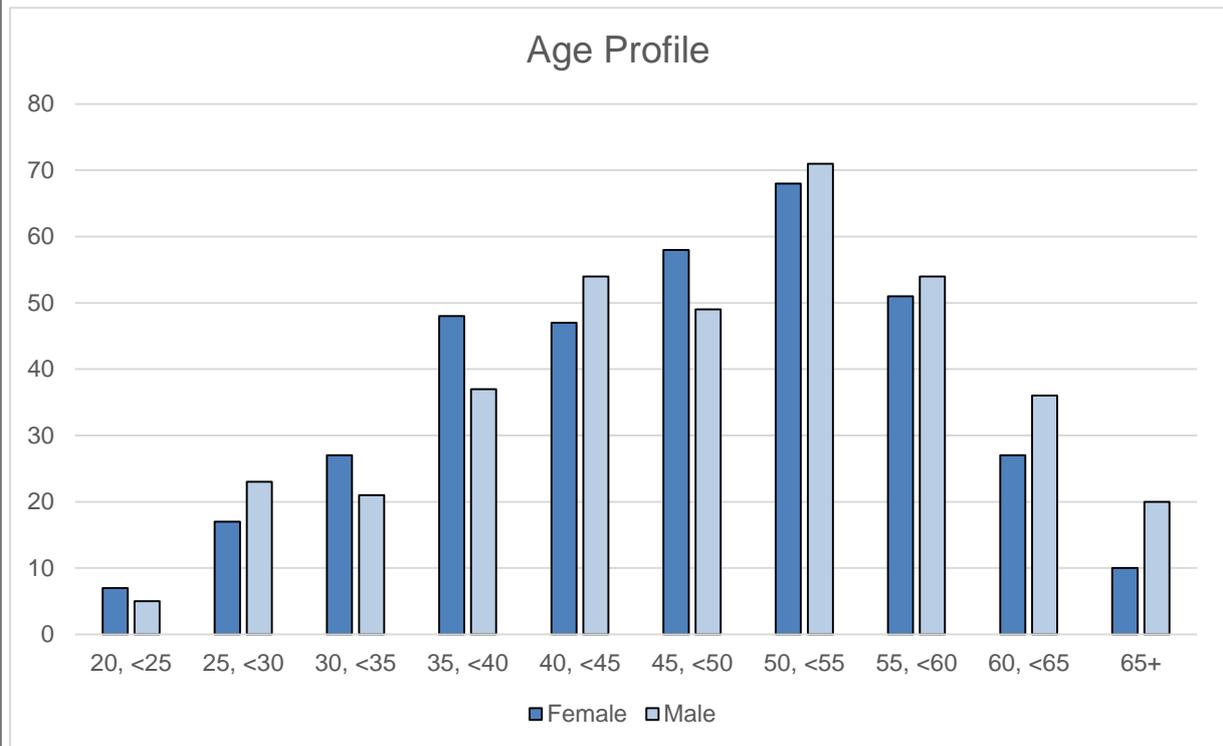
**10. Potential impacts**

For each category below, please explain if the strategy, policy, plan, project, contract or major change to your service could have a positive/ negative impact or no impact. Where an impact has been identified, please explain what it is. Consider impacts on service users, visitors and staff members separately.

**(a) Age**

**Note that this refers to any group of people of a particular age (e.g. 32 year-olds) , or within a particular age range (e.g. 16-24 year-olds) – in particular, please consider any safeguarding issues for children and vulnerable adults**

The age profile of the council by grade is as follows (based on completed records).



The table below shows the average pay for each age range. The second column shows the average pay expressed as a percentage of the overall average pay.

Age Range	Proposal	
	Average Pay	% of O/A ave
20, <25	25,112	79.1%
25, <30	26,603	83.8%
30, <35	31,147	98.1%
35, <40	31,681	99.8%
40, <45	33,013	104.0%
45, <50	33,957	106.9%
50, <55	32,444	102.2%
55, <60	31,369	98.8%
60, <65	31,106	98.0%
65 +	29,791	93.8%
<b>Total</b>	<b>31,751</b>	<b>100.0%</b>

The table above generally shows that younger employees are paid less than older employees. The highest average pay is in the 45 – 50 age group. This is to be expected as local government pay recognises knowledge, which is gained through qualifications and experience. The Council operates an incremental pay progression system linked to employee performance and longer serving employees will earn more as they have had longer to demonstrate their performance and to be longer serving employees would tend to be older.

From an equality viewpoint there are no equality concerns based on the protected characteristic of age.

**(b) Disability**

**Note that a person has a disability if they have a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities.**

The disability profile of the council by grade is as follows (based on completed records and self-declaration).

Grade	Non-Disabled	Disabled	% Non-Disabled	% Disabled
City Band 1	13		1.8%	0.0%
City Band 2	30	2	4.1%	0.3%
City Band 3	142	14	19.6%	1.9%
City Band 4	126	14	17.4%	1.9%
City Band 5	157	7	21.7%	1.0%
City Band 6	100	6	13.8%	0.8%
City Band 7	50	2	6.9%	0.3%
City Band 8	36	1	5.0%	0.1%
City Band 9	15	3	2.1%	0.4%
City Band 10 and 11	3		0.4%	0.0%
Other	4	0	0.6%	0.0%
<b>Total</b>	<b>672</b>	<b>49</b>	<b>93.2%</b>	<b>6.8%</b>

Data for pay bands 10 and 11 has been shown together where possible as the numbers are small.

The table below shows the average pay of disabled and non-disabled employees in each grade. Disabled average pay has been expressed as a percentage of non-disabled pay.

Grade	Proposal		
	Non-Disabled	Disabled	%
City Band 1	18,376		0.0%
City Band 2	20,908	21,166	101.2%
City Band 3	23,966	24,094	100.5%
City Band 4	27,678	27,529	99.5%
City Band 5	32,862	33,197	101.0%
City Band 6	37,195	37,368	100.5%
City Band 7	42,533	43,173	101.5%
City Band 8	46,237	46,559	100.7%
City Band 9	50,145	49,711	99.1%
City Band 10	56,250		0.0%
City Band 11	66,690		0.0%
<b>Total</b>	<b>31,783</b>	<b>30,687</b>	<b>96.6%</b>

The average pay of disabled employees is £30,687. There are no grades that show disabled employees earning more than +/-3% than non-disabled employees. Disabled employees tend to earn the same or more than non-disabled employees in each grade. On this basis there are no equality concerns for these options based on the protected characteristic of disability.

**(c) Gender reassignment**

Data was not available to make an assessment, which means that no impact has been identified specific to this equality group. Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

**(d) Marriage and civil partnership**

Data was not available to make an assessment, which means that no impact could be identified specific to this equality group. Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

**(e) Pregnancy and maternity**

Data was not available to make an assessment, which means that no impact could be identified specific to this equality group. Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

**(f) Race**

**Note that the protected characteristic 'race' refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.**

The race profile of the council by grade is as follows (based on completed records).

Grade	BAME	White	% BAME	% White
City Band 1		9	0.0%	1.3%
City Band 2	9	21	1.3%	3.0%
City Band 3	12	142	1.7%	20.0%
City Band 4	5	133	0.7%	18.8%
City Band 5	10	151	1.4%	21.3%
City Band 6	8	97	1.1%	13.7%
City Band 7	2	49	0.3%	6.9%
City Band 8	3	33	0.4%	4.7%
City Band 9		18	0.0%	2.5%
City Band 10 and 11		3	0.0%	0.4%
Other		4	0.0%	0.6%
<b>Total</b>	<b>49</b>	<b>660</b>	<b>6.9%</b>	<b>93.1%</b>

Data for pay bands 10 and 11 has been shown together where possible as the numbers are small.

The table below shows the average pay of white and BAME employees in each grade as at 1 April 2019. The average pay for BAME employees has been expressed as a percentage of White employees' pay.

Grade	Proposal		
	BAME	White	%
City Band 1		18,190	0.0%
City Band 2	21,030	20,971	100.3%
City Band 3	23,744	23,986	99.0%
City Band 4	28,012	27,647	101.3%
City Band 5	32,386	32,924	98.4%
City Band 6	37,849	37,145	101.9%
City Band 7	41,722	42,609	97.9%
City Band 8	46,236	46,237	100.0%
City Band 9		50,073	0.0%
City Band 10		56,250	0.0%
City Band 11		66,690	0.0%
<b>Total</b>	<b>29,858</b>	<b>31,945</b>	<b>93.5%</b>

The average pay of BAME employees is £29,858. The main differences in the pay structures are in lower grades and there is a higher proportion of BAME employees in those grades compared to higher grades.

There are no grades that show BAME employees earning more than +/-3% than White employees. On this basis there are no equality concerns for these options based on the protected characteristic of race.

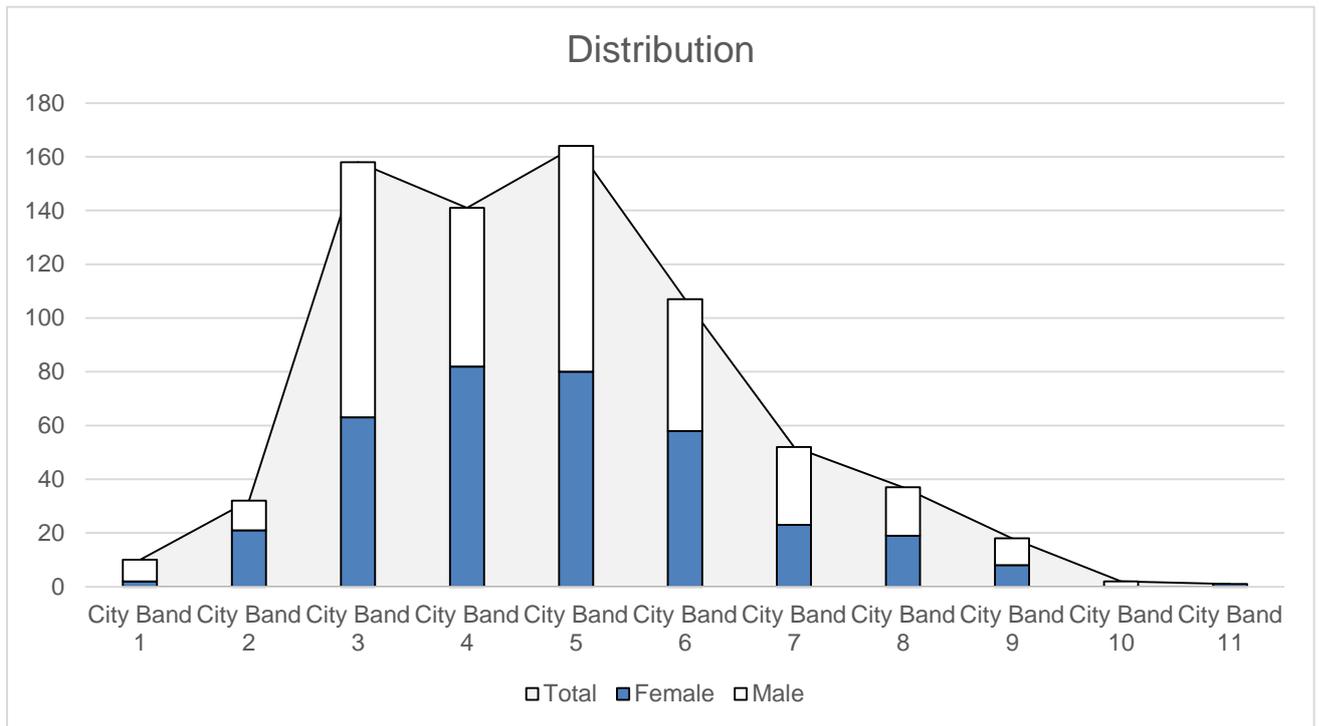
**(g) Religion or belief**

Data was not available to make an assessment, which means no impact could be identified specific to this equality group. Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

**(h) Sex**

The profile of the council by grade is as follows.

Grade	F	M	F	M
City Band 1	2	8	0.3%	1.1%
City Band 2	21	11	2.9%	1.5%
City Band 3	63	95	8.7%	13.2%
City Band 4	82	59	11.4%	8.2%
City Band 5	80	84	11.1%	11.6%
City Band 6	58	49	8.0%	6.8%
City Band 7	23	29	3.2%	4.0%
City Band 8	19	18	2.6%	2.5%
City Band 9	8	10	1.1%	1.4%
City Band 10 and 11	1	2	0.1%	0.3%
<b>Total</b>	<b>357</b>	<b>365</b>	<b>49.4%</b>	<b>50.6%</b>



Grade	Proposal		
	F ave pay	M ave pay	F pay as as % of M pay
City Band 1	18,190	18,432	98.7%
City Band 2	21,069	20,647	102.0%
City Band 3	23,674	24,156	98.0%
City Band 4	27,569	27,763	99.3%
City Band 5	32,682	33,060	98.9%
City Band 6	37,231	37,098	100.4%
City Band 7	42,142	42,886	98.3%
City Band 8	46,102	46,398	99.4%
City Band 9	50,117	50,037	100.2%
City Band 10		56,250	0.0%
City Band 11	66,690		0.0%
<b>Total</b>	<b>31,680</b>	<b>31,692</b>	<b>100.0%</b>

The average pay of female employees in the proposal is £31,680. The average male pay is £31,692. Overall, female average pay is similar to male average pay because of the distribution of employees throughout the pay structure.

The proposal does not highlight female pay being more than +/-3% that of male pay in each grade. This demonstrates that equal pay for work of equal value is being achieved in each grade in each option. On this basis there are no equality concerns for the proposal based on the protected characteristic of sex.

Data for pay bands 10 and 11 has been shown together where possible as the numbers are small.

**(i) Sexual orientation**

Data was not available to make an assessment, which means that no impact could be identified specific to this equality group. Overall the impact will be positive for all staff as the new pay scales are inclusive of a 2% pay award.

**(j) Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty**

The national pay award includes higher percentage pay awards for those on the equivalent of Band 1 and Band 2, this has a positive impact on pay for lower income groups.

**11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqlA accordingly.)**

The equality impacts of these proposals will be monitored and reported in the annual workforce report, which includes equality reporting by pay band, and the Council's gender pay gap reporting. This information is reported annually to the Equalities Panel and will be available on the Council's website.

**12. Do you have any additional comments?**

N/a

**13. Sign off**

Name and job title of lead officer for this equality impact assessment:

Deborah Simpson, Head of Human Resources

Names and job titles of other assessment team members and people consulted:

Consultees of Civic Affairs report.

Date of EqIA sign off: January 2019

Date of next review of the equalities impact assessment: April 2020

All EqIAs need to be sent to Helen Crowther, Equality and Anti-Poverty Officer. Has this been sent to Helen Crowther?

Yes

No

Date to be published on Cambridge City Council website: As part of Civic Affairs report



Item

## **LOCAL GOVERNMENT PENSION SCHEME - EMPLOYERS DISCRETIONS**

**To:**

Civic Affairs Committee 30/01/2019

**Report by:**

Head of Finance

Head of Human Resources

**Wards affected:**

All

### **1. Introduction / Executive Summary**

- 1.1 The paper outlines Cambridge City council's proposed policy statement on Employer Discretions for the Local Government Pension Scheme.

### **2. Recommendations**

- 2.1 to approve the proposed policy statement on employer discretions (Appendix A)
- 2.2 to authorise the Head of Human Resources to determine decisions relating to the merits of individual cases.
- 2.3 that Council officers will continue to review the statement every 3 years and / or in line with changes to the Local Government Pension Scheme (LGPS) as advised by the Local Government Pensions Committee (LGPC) and the Administering Authority (Cambridgeshire County Council), and any recommended changes will go before Civic Affairs for approval.

### **3. Background**

- 3.1 The Local Government Pension Scheme (LGPS) legislation has a number of discretionary areas on which Employing Authorities (i.e. Cambridge City Council) have to determine and publish a policy.
- 3.2 The Council's last review of LGPS Employer Discretions was undertaken in 2014. It was intended that the discretions would be reviewed in 2017 but were delayed as the Council was awaiting details of the proposals relating to exit packages to review these at the same time. Draft regulations were published in 2016 (DRAFT The Public Sector Exit Payment Regulations 2016), the draft regulations cover restrictions on exit payments. As the regulations remain in draft format a decision was taken to review the employer's discretions and exit packages separately.
- 3.3 In reviewing the applicable regulations, the Council sought advice from the former Local Government Association (LGA) senior pensions advisor.
- 3.4 Appendix A contains details of Cambridge City Council's Employing Authority Discretionary Powers, the relevant LGPS Regulations and the recommended decisions. Appendix A also includes a statement on Injury Allowances.
- 3.5 Within Appendix A there are a number of discretions that appear to be replicated, the discretions in places are worded the same but relate to members leaving under different sets of regulations.
- 3.6 Where a case is to be treated on its merits, it will be subject to the approval of the Head of Human Resources. Under the Council's constitution the Head of Human Resources is the nominated person *"To take such action as may be necessary in relation to superannuation and the payment of pensions on behalf of the Council as employing authority in relation to its employees, former employees and to Cambridgeshire County Council as administering authority; except that, where the Council is entitled to exercise a discretion, the Head of Human Resources is authorised to act under this paragraph only in accordance with principles approved by the Council"*

### **4. Implications**

#### **(a) Financial Implications**

There are no significant changes from the existing discretions recommended in respect of financial implications.

Where individual decisions are made potential costs will vary depending on the personal circumstances of each employee involved, their reason for leaving and the appropriate discretions. It is therefore impossible to give an accurate prediction of costs.

### **(b) Staffing Implications**

This report deals with pension discretions for employees and former employees. There are no direct staffing implications as a result of the recommendations in this report.

### **(c) Equality and Poverty Implications**

This report deals with pension discretions for employees and former employees; access to pension is normally from age 55 onwards other than for ill health. The LGPS is a national scheme and is open to all employees.

### **(d) Environmental Implications**

There are no direct environmental implications as a result of the recommendations in this report.

### **(e) Procurement Implications**

There are no Procurement implications as a result of the recommendations in this report.

### **(f) Community Safety Implications**

There are no Community Safety implications as a result of the recommendations in this report.

## **5. Consultation and communication considerations**

Trade Unions – GMB and Unison  
Strategic Director

## **6. Background papers**

Existing Employers Discretions – as minute 14/36/CIV/  
Pension Position Statement – Finance Intranet

What is Pensionable Pay document – Finance Intranet  
Flexible Retirement Policy – HR Intranet

## **7. Appendices**

Appendix A – Cambridge City Council LGPS Employer Discretions Policy

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Karl Tattam, Finance Support Services Manager, tel: 01223 - 458161, email: [karl.tattam@cambridge.gov.uk](mailto:karl.tattam@cambridge.gov.uk).

**Cambridge City Council  
Local Government Pension Scheme  
Employers Discretions**

***Draft LGPS Pension Discretions 2019***

**Purpose**

To allow Cambridge City Council to comply with its duties within the Local Government Pension Scheme Regulations, by ensuring that the Council has a published Statement of Policy covering the certain discretionary powers available to the Council.

**Regulations Covered**

The Councils Discretions policy addresses current employer discretions within the following regulations:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme Regulations (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme Regulations 1997
- The Local Government Pension Scheme Regulations 1995
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- The Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011

**Monitoring & Review**

Council officers will review this statement every 3 years and / or in line with changes to the Local Government Pension Scheme (LGPS) as advised by the Local Government Pensions Committee (LGPC) and the Administering

Authority (Cambridgeshire County Council). Any recommended changes will go before Members for approval.

The operation and effectiveness of this statement will be monitored by Head of Human Resources, with a view to addressing any issues identified and agreeing improvements. The Trades Unions will be consulted about any proposals.

## Regulations Key and Timeline

- Discretions from 1.4.14 in relation to post 31.3.14 active members (excluding councillor members) and post 31.3.14 leavers (excluding councillor members), being discretions under:
    - the Local Government Pension Scheme Regulations 2013 [**prefix R**]
    - the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [**prefix TP**]
    - the Local Government Pension Scheme (Administration) Regulations 2008 [**prefix A**]
    - the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [**prefix B**]
    - the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [**prefix T**]
    - the Local Government Pension Scheme Regulations 1997 [**prefix L**]
  - Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14, being discretions under:
    - the Local Government Pension Scheme (Administration) Regulations 2008 [**prefix A**]
    - the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [**prefix B**]
    - the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [**prefix T**]
    - the Local Government Pension Scheme Regulations 1997 [**prefix L**]
  - Discretions under the Local Government Pension Scheme Regulations 1997 in relation to active councillor members and any other scheme members who ceased active membership on or after 1.4.98 and before 1.4.08 [**Prefix C**]
  - Discretions under the Local Government Pension Scheme Regulations 1995 in relation to scheme members who ceased active membership before 1.4.98 [**Prefix D**]
  - Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 [**Prefix E**]
  - Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 [**Prefix ET**]
- \* *These employer discretions are subject to a written policy under Local Government Pension Regulations*

## Key to Type of Discretion

Membership, Aggregation & Contribution Discretions	Membership
Additional Membership Benefits; Augmentation & Final Pay	Additional Benefits
Extension of Time Limits	Time Limits
Recovery and forfeiture of Contributions (Criminal Offences, Fraud & Misconduct)	Recovery & Forfeiture
Types of Retirement (Early Payment, Flexible Retirement & Actuarial Reduction)	Retirement
Ill Health	Ill Health
Redundancy	Redundancy
Apportioning Compensatory Added Years	Added Years

**Discretions from 1.4.14. in relation to post 31.3.14. active members (excluding councillor members) and post 31.3.14. leavers (excluding councillor members), being discretions under:**

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- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 [prefix L]

<u>No.</u>	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	<u>Type of Discretion</u>
1.	Determine rate of	R9(1) &	CCC has a position statement, which details how it will	

	employees' contributions	R9(3)	determine employee contribution rates; the statement has been agreed with the Trade Unions and communicated to employees. This will be reviewed on a regular basis and is published on the Council's Intranet.	Membership
2.  Page 129	Whether, how much, and in what circumstances to contribute to a shared cost APC scheme	R16(2)(e)* & R16(4)(d)*	<p>Cambridge City Council will only contribute to a shared cost APC where:</p> <ul style="list-style-type: none"> <li>-an active member returns from a period of authorised unpaid leave of absence (otherwise than by reason of illness or injury, ordinary maternity leave, paternity leave, ordinary adoption leave or reserve forces service leave)</li> <li>-the member does not, within 30 days of returning from the leave of absence, make an election to buy-back the whole of the amount of pension 'lost; during the that period of leave of absence</li> <li>-the member subsequently makes an election to do so and it can be demonstrated that the reason for the member missing the original 30 day deadline was because the member had not been made aware of that deadline</li> <li>-the election is made no more than 6 months after the member returns from the period of leave of absence or such longer period as Cambridge City Council may deem reasonable in any individual case.</li> </ul> <p>A decision on whether the member meets all of the above criteria (and on whether the 6 month period referred to should be extended in any individual case) will be taken by the Head of Human Resources and where it is agreed that the</p>	Additional Benefits

			conditions are met, Cambridge City Council will contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.	
3.	Whether, how much, and in what circumstances to contribute to shared cost AVC arrangements entered into before, on or after 1/4/14	R17(1) & definition of SCAVC in RSch 1 & TP15(2A)	Cambridge City Council will not enter into a shared cost AVC arrangement.	Additional Benefits
4.	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13/11/01)	TP15(2A)(b) & TP15(1)(b) & L66(8) & former L66(9)(b)	An extension of the time limit will only be granted where the member has not been notified of the potential additional service that may be purchased. Where this is the case CCC will extend the time limit to one month from the date of notification of the potential service credit	Time Limits
5.	No right to return of contributions if member left due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	R19(2)	Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member.	Recovery & Forfeiture
6.	Specify in an employee's	R20(1)(b)	CCC does not provide any payments or benefits deemed	

	contract what other payments or benefits, other than those specified in R20(1)(a) and not otherwise precluded by R20(2), are to be pensionable		pensionable, outside those determined in R20(1)(a) which states " <i>all the salary, wages, fees and other payments paid to the employee</i> " with the exception of Salary Sacrifice schemes. A document entitled what is pensionable pay is published on the Council's intranet.	Membership
7.	In determining Assumed Pensionable Pay for a member who is not a returning officer in receipt of fees, whether a lump sum payment made in the previous 12 months is a "regular lump sum"	R21(5)	In assessing Assumed Pensionable Pay (APP) for a member who is not a returning officer in receipt of fees Cambridge City Council will not include in the calculation any regular lump sum payments.	Membership
8.	In determining Assumed Pensionable Pay (APP) for a member who is not a returning officer in receipt of fees, whether to substitute for the pensionable pay (including any APP) the member received (ignoring any lump sum payments) in the 3 months (or 12 weeks if	R21(5A) and (5B)	In determining Assumed Pensionable Pay (APP) for a member who is not a returning officer in receipt of fees Cambridge City Council will not substitute for the pensionable pay (including any APP) the member received (ignoring any lump sum payments) in the 3 months (or 12 weeks if paid other than monthly) used to calculate APP, a more representative, higher, level of pensionable pay if, having regard to the level of pensionable pay the member received in the previous 12 months, Cambridge City Council is of the view that the pensionable pay (including any assumed pensionable pay) the member received (ignoring any lump sum payments) in the aforementioned 3 month or 12 week period was	Membership

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 132</p>	<p>paid other than monthly) used to calculate APP, a higher level of pensionable pay if, having regard to the level of pensionable pay the member received in the previous 12 months, the Council is of the view that the pensionable pay (including any APP) the member received (ignoring any lump sum payments) in the aforementioned 3 month or 12 week period was materially less than what it would normally have been</p>		<p>materially less than what it would normally have been.</p>	
<p>9.</p>	<p>Whether to extend the 12 month option period for a member to elect that deferred LGPS benefits in England or Wales arising from:</p> <ul style="list-style-type: none"> <li>the cessation of employment after 31<sup>st</sup></li> </ul>	<p>R22(8)(b)</p>	<p>Cambridge City Council will extend the 12 months period:</p> <ol style="list-style-type: none"> <li>where the Head of Human Resources agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration</li> <li>where the Head of Human Resources agrees that the available evidence indicates the member had made an</li> </ol>	<p>Time Limits</p>

March 2014, or

- opting out of membership of the Scheme after 31<sup>st</sup> March 2014 but before 11<sup>th</sup> April 2015

should not be aggregated with, respectively:

- their membership in a new employment, or
- their new period of membership upon opting back into membership of the Scheme

*Notes:*

- *the 12 month period begins from the date the person joins the Scheme in the new employment / re-joins the Scheme upon opting back into membership of the Scheme*

election within 12 months of joining the LGPS but the election was not received by the appropriate administering authority (e.g. the election form was lost in the post)

c) the member has pre 1 April 2014 membership and the Head of Human Resources agrees the available evidence indicates that, due to maladministration, the member had not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time equivalent pensionable pay on commencing with CCC is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 134</p>	<p>- the deferred benefits for a person who opt out of membership on or after 11<sup>th</sup> April 2015 are automatically kept separate and cannot be aggregated with benefits built up after re-joining the Scheme.</p>			
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 134</p>	<p>Whether to extend the 12 month option period for a member to elect that deferred LGPS benefits in England or Wales arising from the cessation of a concurrent employment after 31<sup>st</sup> March 2014 should not be aggregated with an ongoing concurrent employment</p> <p><i>Note: the 12 month period begins from the date the</i></p>	<p>R22(7)(b)</p>	<p>Cambridge City Council will extend the 12 months period:</p> <p>a) where the Head of Human Resources agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration</p> <p>b) where the Head of Human Resources agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering authority (e.g. the election form was lost in the post)</p> <p>c) the member has pre 1 April 2014 membership and the Head of Human Resources agrees the available evidence indicates that, due to maladministration, the member had</p>	<p>Time Limits</p>

	<i>concurrent employment ceased</i>		not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time equivalent pensionable pay on commencing with CCC is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).	
11.  Page 135	<p>Whether to extend the 12 month time limit within which a scheme member who:</p> <ul style="list-style-type: none"> <li>re-joined the Scheme on or after 14<sup>th</sup> May 2018,</li> <li>has a deferred LGPS benefit in England or Wales as a result of either the cessation of an employment prior to 1<sup>st</sup> April 2014, or an election to opt out of membership of the Scheme prior to 1<sup>st</sup> April 2014, or the</li> </ul>	TP10(6)	<p>Cambridge City Council will only extend the 12 month time limit within which a scheme member who:</p> <ul style="list-style-type: none"> <li>has a deferred LGPS benefit in England or Wales as a result of the cessation of an employment prior to 1<sup>st</sup> April 2014, or an election to opt out of membership of the Scheme prior to 1<sup>st</sup> April 2014, or the cessation of a concurrent employment prior to 1<sup>st</sup> April 2014, and</li> <li>has not made an election to be treated as if they had been a member of the Scheme on 31<sup>st</sup> March 2014 and 1<sup>st</sup> April 2014</li> </ul> <p>Cambridge City Council may elect to aggregate the deferred benefit with the new period of membership and use the value of the deferred benefit to purchase an amount of earned pension in their CARE pension account in the following circumstances:</p> <p>a) where the Head of Human Resources agrees that</p>	Time Limits

cessation of a concurrent employment prior to 1<sup>st</sup> April 2014, and

- has not made an election to be treated as if they had been a member of the Scheme on 31<sup>st</sup> March 2014 and 1<sup>st</sup> April 2014

*Notes:*

- *the 12 month period begins from the date the person re-joins the Scheme in the new employment / re-joins the Scheme upon opting back into membership of the Scheme*

- *members who:*

- *re-joined the Scheme*

the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; or

- b) where the Head of Human Resources agrees that the available evidence indicates the member had made an election within the required 12 month period but the election was not received by the Pension Fund administering authority (e.g. the election form was lost in the post).

*between 1<sup>st</sup> April 2014 and 13<sup>th</sup> May 2018,*

- *have a deferred LGPS benefit in England or Wales as a result of either the cessation of an employment prior to 1<sup>st</sup> April 2014, or an election to opt out of membership of the Scheme prior to 1<sup>st</sup> April 2014, or the cessation of a concurrent employment prior to 1<sup>st</sup> April 2014, and*
- *have not made an election to be treated as if they had been a member of the Scheme on 31<sup>st</sup> March 2014 and 1<sup>st</sup> April 2014*

*have the right to make an election more than 12*

	<i>months after re-joining the Scheme for so long as they are an active member.</i>			
12.	Whether all or some benefits can be paid if an employee aged 55 or over reduces their hours or grade (flexible retirement)	R30(6)* & TP11(2)	CCC has issued a Flexible Retirement Policy, which is available to all employees. The Flexible Retirement Policy is published on the Council's intranet. Where flexible retirement has been granted, employees are required to take all accrued benefits to date.	Retirement
13 Page 138	Whether to waive, in whole or in part, any actuarial reduction on benefits paid on flexible retirement	R30(8)*	CCC does not waive, in whole or in part, any actuarial reduction on benefits paid upon flexible retirement except where it considers it is in its financial or operational interests to do so. Each case will be considered on the merits of the financial and / or operational business case put forward and will require the approval of the Head of Human Resources including, where the reduction is only to be waved in part.  The Council's flexible retirement policy is published on the Council's intranet.	Retirement
14.	Whether to waive, in whole or in part, actuarial reduction on benefits which a deferred member or suspended Tier 3 ill-health pensioner	R30(8)*	Cambridge City Council will not agree to waive actuarial reduction where members choose to voluntarily draw their benefits on or after age 55 and before normal pension age except in circumstances where Cambridge City Council considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so.	Retirement

	voluntarily draws before normal pension age (where the member only has post 31/3/14 membership).		Each case: Will be considered on the merits of the financial and/ or operational business case put forward, or Will be considered on the merits of the compassionate case put forward, and Will require the approval of the Head of Human Resources	
15.  Page 139	Whether to “switch on” the 85 year rule for an active member voluntarily retiring and drawing benefits on or after age 55 and before age 60.	TPSch paras 2, 1(1)(c) and 2(2)*	Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their benefits on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so. Each case: - will be considered on the merits of the financial and/ or operational business case put forward, and will require the approval of the Head of Human Resources	Retirement
16.	Whether to “switch on” the 85 year rule for a member voluntarily drawing deferred benefits on or after age 55 and before age 60.	TPSch paras 2, 1(1)(c) and 2(2)*	Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their deferred benefits on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so. Each case: - will be considered on the merits of the financial and/ or	Retirement

	<p><i>Note: There would be no financial or operational business case for agreeing to a request from a deferred member to apply the 85 year rule. An application for removal of any actuarial reduction on compassionate grounds is dealt with under discretion 17 below.</i></p>		<p>operational business case put forward, and will require the approval of the Head of Human Resources.</p>	
<p>Page 140</p>	<p>Whether to waive any actuarial reduction on a deferred member's pre and/or post April 2014 benefits (where the member has pre and post April 2014 membership).</p>	<p><b>TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)*</b></p>	<p>Cambridge City Council will not agree</p> <ul style="list-style-type: none"> <li>- to waive on compassionate grounds any reduction on pre 1 April 2014 benefits for Group 3 or 4 members, on pre 1 April 2016 benefits for Group 1 members, or on pre 1 April 2020 benefits for Group 2 members, and / or</li> <li>- to waive in whole or in part on any grounds (including compassionate grounds) any reduction on post 31 March 2014 benefits for Group 3 or 4 members, on post 31 March 2016 benefits for Group 1 members, or on post 31 March 2020 benefits for Group 2 members</li> </ul> <p>where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age except in circumstances where Cambridge City Council considers it is in its financial or operational interests to do so or there are</p>	<p>Retirement</p>

compelling compassionate reasons for doing so.

Each case will

- be considered on the merits of the financial and / or operational business case put forward, or
- be considered on the merits of the compassionate case put forward, and
- require the approval of the Head of Human Resources.

Group 1 members are members who were members of the LGPS before 1 October 2006 and will be 60 or more on 31 March 2016.

Group 2 members are members who were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 but will attain age 60 between 1 April 2016 and 31 March 2020.

Group 3 members are members who were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 and will not attain age 60 between 1 April 2016 and 31 March 2020.

Group 4 members are members who were not members of the LGPS before 1 October 2006.

18.	<p>Whether to “switch on” the 85 year rule for a member voluntarily drawing a suspended Tier 3 ill-health pension on or after age 55 and before age 60.</p> <p><i>Note: There would be no financial or operational business case for agreeing to a request from a suspended Tier 3 ill-health pensioner to apply the 85 year rule. An application for removal of any actuarial reduction on compassionate grounds is dealt with under discretion 19 below.</i></p>	TPSch 2, paras 1(1)(c) and 2(2)*	<p>Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their suspended Tier 3 ill-health pension on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so.</p> <p>Each case:</p> <ul style="list-style-type: none"> <li>- will be considered on the merits of the financial and/ or operational business case put forward, and will require the approval of the Head of Human Resources.</li> </ul>	Retirement
19.	<p>Whether to waive any actuarial reduction on a suspended Tier 3 ill-health pensioner’s pre and/or post April 2014 benefits (where the</p>	TP3(1), TPsch 2, paras 2(1) and 2(2), B30A(5)*	<p>Cambridge City Council will not agree</p> <ul style="list-style-type: none"> <li>- to waive on compassionate grounds any reduction on pre 1 April 2014 benefits for Group 3 or 4 members, on pre 1 April 2016 benefits for Group 1 members, or on pre 1 April 2020 benefits for Group 2 members, and / or</li> <li>- to waive in whole or in part on any grounds (including</li> </ul>	Retirement

member has pre and post April 2014 membership).

compassionate grounds) any reduction on post 31 March 2014 benefits for Group 3 or 4 members, on post 31 March 2016 benefits for Group 1 members, or on post 31 March 2020 benefits for Group 2 members

where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age except in circumstances where Cambridge City Council considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so.

Each case will

- be considered on the merits of the financial and / or operational business case put forward, or
- be considered on the merits of the compassionate case put forward, and
- require the approval of the Head of Human Resources.

Group 1 members are members who were members of the LGPS before 1 October 2006 and will be 60 or more on 31 March 2016.

Group 2 members are members who were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 but will attain age 60 between 1 April 2016 and

			<p>31 March 2020.</p> <p>Group 3 members are members who were members of the LGPS before 1 October 2006 and will not be 60 or more on 31 March 2016 and will not attain age 60 between 1 April 2016 and 31 March 2020.</p> <p>Group 4 members are members who were not members of the LGPS before 1 October 2006.</p>	
20. Page 144	Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £6,822 p.a. – figure as at 1 <sup>st</sup> April 2018)	R31*	Cambridge City Council will not make use of the discretion to grant extra annual pension of up to £6,822 (as at 1 <sup>st</sup> April 2018) to an active scheme member or within 6 months of leaving to a member whose employment is terminated on the grounds of redundancy or business efficiency.	Additional Benefits
21.	Determine whether person in receipt of Tier 3 ill health pension has started gainful employment	R37(3) & (4)	Cambridge City Council will make this determination in accordance with the available evidence, the requirements of the LGPS Regulations 2013 and any statutory guidance issued by the Secretary of State.	Ill Health
22.	Whether to recover any overpaid Tier 3 pension	R37(3)	Cambridge City Council will recover any overpaid Tier 3 pension following commencement of gainful employment.	Ill Health

	following commencement of gainful employment			
23.	<p>Whether to agree to a written request for early payment of benefits (i.e. before Normal Pension Age) from:</p> <ul style="list-style-type: none"> <li>a member with a deferred benefit who, because of ill-health or infirmity of mind or body, has become permanently incapable of discharging efficiently the duties of the employment they were engaged in at the date they became a deferred member and who is, as a result, unlikely to be capable of undertaking gainful employment before reaching Normal Pension Age, or for at</li> </ul>	R38	<p>Cambridge City Council will, other than in exceptional circumstances, agree to a written request for early payment of benefits (i.e. before Normal Pension Age) from:</p> <ul style="list-style-type: none"> <li>a member with a deferred benefit who, because of ill-health or infirmity of mind or body, has become permanently incapable of discharging efficiently the duties of the employment they were engaged in at the date they became a deferred member and who is, as a result, unlikely to be capable of undertaking gainful employment before reaching Normal Pension Age, or for at least 3 years, whichever is the sooner, or</li> <li>a member with a suspended Tier 3 ill-health pension who, because of ill-health or infirmity of mind or body, is unlikely to be capable of undertaking gainful employment before Normal Pension Age.</li> </ul>	Ill Health

Page 146	<p>least 3 years, whichever is the sooner, or</p> <ul style="list-style-type: none"> <li>a member with a suspended Tier 3 ill-health pension who, because of ill-health or infirmity of mind or body, is unlikely to be capable of undertaking gainful employment before normal pension age</li> </ul>			
24.	Whether to apply to Secretary of State for a forfeiture certificate (where member is convicted of a relevant offence)	R91(1) & (8)	Where appropriate Cambridge City Council will apply for a certificate	Recovery & Forfeiture
25.	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited (other than rights	R91(4)	If a forfeiture certificate is issued by the Secretary of State it will be applied against the member's pension rights (i.e. the rights should be forfeited)	Recovery & Forfeiture

	to GMP – but see R95 below)			
26.	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	R92(1) & (2)	In line with decisions under Regulations R91(1) and 91(4) there will be no need for the Council to decide whether or not to make interim payments	Recovery & Forfeiture
27. Page 147	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than benefits from transferred in pension rights or APCs or AVCs or, subject to R95 below, in respect of any GMP) where the obligation was incurred as a result of a grave misconduct or a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the	R93(2)	The Council will make the appropriate recovery and reduce the member's pensions rights accordingly where the member has not made good the debt	Recovery & Forfeiture

	person has left employment			
28.	Whether, if the member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts, forfeiture under R91 or recovery of a monetary obligation under R93 should deprive the member or the member's surviving spouse or civil partner of any GMP entitlement	R95	The Council will apply forfeiture to, or recover the monetary obligation from, the relevant benefits (including from the GMP entitlement), where a member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts.	Recovery & Forfeiture
29.	Agree to bulk transfer payment  <i>Note: This regulation relates to transfer of undertakings where 2 or more members' active membership ends on their joining a different registered pension scheme.</i>	R98(1)(b)	Cambridge City Council will determine each case on its merits.	Membership

<p>30.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 149</p>	<p>Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS</p>	<p>R100(6)</p>	<p>Subject to the agreement of the relevant administering authority in any individual case, Cambridge City Council will extend the 12 months period:</p> <ul style="list-style-type: none"> <li>a) Where the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been offered to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the appropriate administering authority providing the scheme member with a quotation of what the transfer value will purchase in the LGPS;</li> <li>b) Where the Head of Human Resources agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; or</li> <li>c) Where the Head of Human Resources agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering body (e.g. the election form was lost in the post)</li> </ul>	<p>Time Limits</p>
<p>31.</p>	<p>Whether to allow a member to select final pay period for fees to be</p>	<p>TP3(6), TP4(6)(c), TP8(4),</p>	<p>CCC will allow members to select final pay period for fees to be any 3 consecutive years ending 31<sup>st</sup> March in the 10 years prior to leaving, subject to the approval of the nominated</p>	<p>Additional Benefits</p>

	<p>any 3 consecutive years ending 31st March in the 10 years prior to leaving</p> <p><i>Note: This discretion specifically relates to variable time employees where pay includes fee e.g. Returning Officer</i></p>	<p><b>TP10(2)(a), TP17(2)(b) &amp; B11(2)</b></p>	<p>person as defined in the Council's constitution.</p>	
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**Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08. and before 1.4.14., being discretions under:**

Page 150

- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme Regulations 1997 [prefix L]

	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
32.	<p>Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after</p>	<p><b>TP3(1) TP15(2A)(b) &amp; TSch1 L66(8) &amp; former</b></p>	<p>An extension of the time limit will only be granted where the member has not been notified of the potential additional service that may be purchased. Where this is the case CCC will extend the time limit to one month from the date of notification of the potential service credit.</p>	Time Limits

	cessation of active membership	L66(9)(b)		
33.	No right to return of contributions due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	TP3(1) & A47(2)	&	Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member (see Reg A76 (2) and (3))
34.	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund	TP3(1) & A49(1) (2)	& &	The balance is recovered from the fund. In practice this is achieved by the administering authority paying the CEP out of the fund direct to the relevant government departments on behalf of the employer.
35.	Whether to apply to Secretary of State for a forfeiture certificate (where member is convicted of a relevant offence)	TP3(1) & A72(1) (6)	& &	Where appropriate the Council will apply for a certificate
36.	Where forfeiture certificate is issued, whether to direct that benefits are to be	TP3(1) & A72(3)	&	If a forfeiture certificate is issued by the Secretary of State it will be applied against the member's pension rights (i.e. the rights should be forfeited)

	forfeited			
37.	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	<b>A7 TP3(1) &amp; 3(1) &amp; (2)</b>	In line with decisions under Regulations <b>A72(1)</b> and <b>72(3)</b> there will be no need for the Council to decide whether or not to make interim payments.	Recovery & Forfeiture
38. Page 152	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs/SCAVCs) where the obligation was incurred as a result of a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment	<b>A TP3(1) &amp; 74(2)</b>	The Council will make the appropriate recovery and reduce the member's pension rights accordingly where the member has not made good the debt.	Recovery & Forfeiture
39.	Whether to recover from Fund any financial loss caused by fraudulent	<b>TP3(1) &amp; A76(2) &amp; (3)</b>	The Council will make the appropriate recovery from the pension fund where the member has not made good the debt.	Recovery & Forfeiture

	offence or grave misconduct of employee (who has left because of that), or amount of refund if less			
40.	<p>Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31<sup>st</sup> March in the 10 years prior to leaving.</p> <p><i>Note: This discretion specifically relates to variable time employees where pay includes fee e.g. Returning Officer</i></p>	<b>B TP3(1) &amp; 11(2)</b>	CCC will allow members to select final pay period for fees to be any 3 consecutive years ending 31 <sup>st</sup> March in the 10 years prior to leaving, subject to the approval of the nominated person as defined in the Council's constitution.	Additional Benefits
41.	<p>Whether to "switch on" the 85 year rule for a member voluntarily drawing deferred benefits on or after age 55 and before age 60.</p> <p><i>Note: There would be no financial or operational business case for</i></p>	<b>TP3(1) &amp; TPSched 2 paras 1(1)(aa), 1(1)(c) &amp; 2(2) &amp; B30(2)*</b>	<p>Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their deferred benefits on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so.</p> <p>Each case:</p> <ul style="list-style-type: none"> <li>- will be considered on the merits of the financial and/ or operational business case put forward, and will require the approval of the Head of Human Resources.</li> </ul>	Retirement

	<p><i>agreeing to a request from a deferred member to apply the 85 year rule. The member may be seeking to avoid an actuarial reduction for early payment on compassionate grounds, in which case the matter will be dealt with under discretion 42 below instead.</i></p>			
Page 154	<p>Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under <b>B30</b></p>	<p><b>B TP3(1) &amp; 30(5)*</b></p>	<p>Each case will be considered on its merits and will be subject to the approval of the Head of Human Resources.</p>	<p>Retirement</p>
43.	<p>Whether to “switch on” the 85 year rule for a member voluntarily drawing a suspended Tier 3 ill-health pension on or after age 55 and before age 60.</p>	<p><b>TP3(1) &amp; TPSched 2 paras 1(1)(aa), 1(1)(c) &amp; 2(2) &amp; B30A(3)*</b></p>	<p>Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their suspended Tier 3 ill-health pension on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so. Each case: - will be considered on the merits of the financial and/ or operational business case put forward, and</p>	<p>Retirement</p>

			will require the approval of the Head of Human Resources.	
44.	Whether to waive, on compassionate grounds, the actuarial reduction applied to suspended Tier 3 ill-health pension benefits paid early under <b>B30A</b>	<b>TP3(1)</b> & <b>B30A(5)*</b>	Each case will be considered on its merits and will be subject to the approval of the Head of Human Resources.	Retirement
45.	Whether to agree to a written request for early payment of benefits (i.e. before Normal Retirement Age) from: <ul style="list-style-type: none"> <li>a member with a deferred benefit who, because of ill-health or infirmity of mind or body, has become permanently incapable of discharging efficiently the duties of the employment they were engaged in at the date they became a deferred member and who has, as a result, a</li> </ul>	<b>TP3(1)</b> & <b>B31(4)</b> & <b>B31(7)</b>	Cambridge City Council will, other than in exceptional circumstances, agree to a written request for early payment of benefits (i.e. before Normal Retirement Age) from: <ul style="list-style-type: none"> <li>a member with a deferred benefit who, because of ill-health or infirmity of mind or body, has become permanently incapable of discharging efficiently the duties of the employment they were engaged in at the date they became a deferred member and who has, as a result, a reduced likelihood of being capable of undertaking any gainful employment before reaching Normal Retirement Age, or for at least 3 years, whichever is the sooner, or</li> <li>a member with a suspended Tier 3 ill-health pension who has become permanently incapable of undertaking any gainful employment</li> </ul>	Ill Health

Page 156	<p>reduced likelihood of being capable of undertaking any gainful employment before reaching Normal Retirement Age, or for at least 3 years, whichever is the sooner, or</p> <ul style="list-style-type: none"> <li>• a member with a suspended Tier 3 ill-health pension who has become permanently incapable of undertaking any gainful employment</li> </ul>			
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\* These are matters about which the regulations require there must be a written policy.

**Discretions under the Local Government Pension Scheme Regulations 1997 in relation to:**

- a) active councillor members, and**
- b) councillor members who ceased active membership on or after 1.4.98., and**
- c) any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08.**

	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
46.	Grant application for early payment of deferred benefits on or after age 50 and before age 55.	TP3(1) & C31(2)*	CCC will consider each case on its own merits.	Retirement
47.	Whether to “switch on” the 85 year rule for a member voluntarily drawing deferred benefits on or after age 55 and before age 60.  <i>Note: There would be no financial or operational business case for agreeing to a request from a deferred member to apply the 85 year rule. An application for removal of any actuarial reduction on compassionate grounds is dealt with under discretion 48 below.</i>	TP3(1) & TPSched 2 para 1(1)(f)	Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their benefits on or after age 55 and before age 60 except in exceptional circumstances. Each case  - will be considered on the merits of the case put forward, and - will require the approval of the Head of Human Resources.  Cambridge City Council will not agree to switch the 85 year rule on where members chose to voluntarily draw their deferred benefits on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so. Each case: - will be considered on the merits of the financial and/ or operational business case put forward, and will require the approval of the Head of Human Resources.	Retirement
48.	Waive, on compassionate grounds,	TP3(1) & TPSched 2	CCC will consider each case on its own merits.	Retirement

	the actuarial reduction applied to deferred benefits paid early	para 2(1) & C31(5)*		
49.	Pre 1.4.08. employee optants out only to get benefits paid from normal retirement date (NRD) if employer agrees	TP3(1) & C31(7A) & C35(1)*	CCC will not pay until the pre 1.4.08 employee ceases the job they opted out from.	Retirement
50.	Decide, in the absence of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	TP3(1) & C34(1)(b)	Where a member has not made an election within 3 months the Council will apply whichever is deemed the more beneficial provision.	Retirement
51.	No right to return of contributions due to offence of a fraudulent character unless employer directs a total or partial refund is to be made	TP3(1) & C88(2)	Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member	Recovery & Forfeiture

52.	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund	TP3(1) & C92	The balance is recovered from the fund. In practice this is achieved by the administering authority paying the CEP out of the fund direct to the relevant government departments on behalf of the employer	Membership
53.	Forfeiture of pension rights on issue of Secretary of State's certificate	TP3(1) & C111(2) & (5)	If a forfeiture certificate is issued by the Secretary of State it will be applied against the members pension rights (i.e. the rights should be forfeited)	Recovery & Forfeiture
54. Page 159	Where forfeiture certificate is issued, direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	TP3(1) & C112(1)	In line with decisions under Regulations C111(2) and (5), there will be no need for the Council to decide whether or not to make interim payments	Recovery & Forfeiture
55.	Recovery from Fund of monetary obligation owed by former employee or, if less, the value of the member's benefits (other than transferred in pension rights)	TP3(1) & C113(2)	The Council will make the appropriate recovery and reduce the member's pensions rights accordingly where the member has not made good the debt	Recovery & Forfeiture

56.	Recovery from Fund of financial loss caused by employee, or amount of refund if less	TP3(1) & C115(2) & (3)	The Council will make the appropriate recovery from the pension fund where the member has not made good the debt.	Recovery & Forfeiture
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\*These are matters about which the regulations require there must be a written policy.

**Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge**

**Discretions under the Local Government Pension Scheme Regulations 1995 in relation to scheme members who ceased active membership before 1.4.98.**

169	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
57.	Grant application from a pre-1.4.98. leaver for early payment of deferred benefits on or after age 50 on compassionate grounds	TP3(1) & D11(2)(c)	Each request will be considered on its merits and will be subject to the approval of the Head of Human Resources.	Retirement
58.	Decide, in the absence from a pre-1.4.98. leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be	TP3(1) & D10	Where a member has not made an election within 3 months the Council will apply whichever is deemed the more beneficial provision.	Retirement

entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership			
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**Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006**

Under Regulation 7 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
59 Page 161	To base redundancy payments on an actual weeks pay where this exceeds the statutory weeks' pay limit.	E5	Redundancy payments will be based on actual weeks' pay.	Redundancy
60.	To award lump sum compensation of up to 104 weeks' pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment.	E6	CCC does not award any such compensation in cases of redundancy, termination of employment on business efficiency grounds, or cessation of a joint appointment.	Redundancy

## Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000

Under Regulation 26 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

61. Page 62	How to apportion any surviving spouse's or civil partner's annual compensatory added years (CAY) payment where the deceased person is survived by more than one spouse or civil partner	ET21(4)	The Council will apportion any surviving spouses or civil partner's annual compensatory added years where the deceased person is survived by more than one spouse or civil partner in such proportions as, at its sole discretion, it sees fit (based on the merits of the individual cases). Where no representation is received payments will normally be apportioned equally.	Added Years
61. Page 62	How it will decide to whom any children's annual compensatory added years payments are to be paid where children's pensions are not payable under the LGPS (because the employee had not joined the LGPS) and, in such a case, how the annual added years will be apportioned amongst the eligible children	ET25(2)	This discretion is not applicable because CCC did not award Compensatory Added Years to non LGPS members	Added Years

63.	<p>Whether, in respect of the spouse of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal pension suspension rules should be disapplied i.e. whether the spouse's or civil partner's annual compensatory added years payments should continue to be paid</p>	ET21(7)	<p>If the spouse or civil partner of a person who ceased employment before 1 April 1998 remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal annual compensation suspension rules will be disapplied i.e. the spouse's or civil partner's annual compensatory added years will continue to be paid</p>	Added Years
64.	<p>If, under the preceding decision, the authority's policy is to apply the normal suspension rules, whether the spouse's or civil partner's annual compensatory added years payment should be reinstated after the end of the remarriage, new civil</p>	ET21(5)	<p>Due to the decision in discretion ET21(7) above this discretion is not applicable.</p>	Added Years

	partnership or cohabitation			
65.	Whether, in respect of the spouse or civil partner of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries or cohabits or enters into a civil partnership on or after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal rule requiring one of them to forego payment whilst the period of marriage, civil partnership or co-habitation lasts, should be disapplied i.e. whether the spouses' or civil partners' annual CAY payments should continue to be paid to both of them	ET21(7)	If the spouse or civil partner of a person who ceased employment before 1 April 1998 remarries or cohabits after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal annual compensation suspension rules will be disapplied i.e. the spouse's or civil partner's annual compensatory added years will continue to be paid to both of them.	Added Years
66.	Whether and to what extent to reduce or	ET17	CCC will, during any period of re-employment in local government, abate a person's annual compensatory added	Added Years

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 165</p>	<p>suspend the member's annual compensatory added years payment during any period of re-employment in local government</p>		<p>years payment by the 'excess' if the aggregate of:</p> <ul style="list-style-type: none"> <li>- the annual compensation (including any pension increases), and</li> <li>- the annual pension from the LGPS (including any pension increases), and</li> <li>- the annual rate of pay from the new employment</li> </ul> <p>exceeds the pay the person would have received from the employment in respect of which the compensatory added years were granted, based on the annual rate of pay at the date of ceasing the former employment as increased by the relevant cost of living increases (i.e. as increased by the rate at which an "official pension" is increased under the Pensions (Increase) Act 1971).</p>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 165</p>	<p>How to reduce the member's annual compensatory added years payment following the cessation of a period of re-employment in local government</p>	<p>ET19</p>	<p>Where compensatory added years were awarded on or after 21 June 2000 CCC will reduce a person's annual compensatory added years payment following the cessation of a period of re-employment in local government to the extent necessary to secure that if:</p> <ul style="list-style-type: none"> <li>- the period of compensatory added years granted in respect of the former employment,</li> </ul> <p>plus</p>	<p>Added Years</p>

- the period of membership the person has accrued in the LGPS (or would have accrued had he / she joined the scheme) during the period of re-employment in local government, counted at its part-time length, if the person was part-time,

exceeds

- the period of membership the person would have accrued during the period from the cessation of the former employment until age 65 on the assumption that he / she had continued in that former employment to age 65 (again counted at its part-time length if the person was part-time at the date of cessation of the former employment),

then

- the annual pension and lump sum from the first job combined with the annual pension and automatic lump sum (if any) from the second job (based on the assumption that the employee joined the LGPS at the first opportunity), plus the annual compensation and lump sum compensation, shall not in aggregate exceed the pension and lump sum the person would have achieved if he / she had remained in the first job through to age 65.

Where there is an excess, the annual compensation must be reduced by the excess pension, and if the annual compensation is not reduced to nil, the amount of the

remaining (reduced) basic annual compensation (excluding cost of living increases) must then be suspended until the excess lump sum (if any) is recovered.

In calculating whether or not, in aggregate, the annual pension and lump sum from the first job, plus the annual pension and lump sum (if any) from the second job (based on the assumption that the employee joined the LGPS at the first opportunity), plus the annual compensation and lump sum compensation, exceeds the pension and lump sum the person would have achieved if he / she had remained in the first job through to age 65 it will be necessary to compare:

a) the actual LGPS pre 1 April 2009 1/80th pension and 3/80ths lump sum, plus the actual LGPS post 31 March 2008 1/60th pension (ignoring any commutation for a lump sum), plus the actual 1/80th annual compensation and 3/80ths lump sum compensation, with

b) the 1/80th LGPS pension and 3/80ths lump sum the member would have achieved in their first job to 31 March 2008, plus the 1/60th LGPS pension the member would have achieved in their first job (ignoring any potential commutation for a lump sum), if the member had stayed in the first job through to age 65.

In determining the benefits the employee could have achieved had he / she remained in the first employment through to age

65 it will be necessary to determine the pensionable pay to be used in the calculation. For this purpose, the pensionable pay figure used in the calculation of the pension benefits in the first job will be used as brought up to date, at the date of cessation of the period or re-employment, by increasing it in line with the rate at which an “official pension” would have been increased under the Pensions (Increase) Act 1971.

If a person has been awarded more than one previous period of compensatory added years, e.g. as a result of being made redundant more than once, the abatement/clawback provisions are modified. In such a case, the rules under the former Local Government (Discretionary Payments) Regulations 1996 will be applied where a person ceases a period of re-employment in local government and has previously been granted more than one period of compensatory added years, but using the pay in the first job as increased in line with cost of living increases (i.e. ignoring regulations 18(5)(a)(ii), 18(6) and 18(7) of the Local Government (Discretionary Payments) Regulations 1996).

Where compensatory added years were awarded before 21 June 2000, Cambridge City Council will reduce a person's annual compensatory added years' payment following the cessation of a period of re-employment in local government (see note below) in accordance with the Local Government (Discretionary Payments) Regulations 1996.

**Note:** 'local government' means employment with an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body). Technically, an employee of an Admitted Body (i.e. a body that has applied to the administering authority to allow its employees to join the LGPS and has entered into a formal admission agreement) is only employed in 'local government' if he / she is a member of the LGPS.

## **Injury Allowances**

Cambridge City Council will not make any awards under the Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011 as

CCC holds Employer's Liability Insurance

CCC has provision for NJC employees under the National Agreement on pay and conditions of service (Green Book)

## **GENERAL**

### **Consultation**

The discretionary policies contained in this Statement of Policy, and any awards under the Statement of Policy, are to be determined at the sole discretion of Cambridge City Council (CCC). When CCC intends to consider a change or changes to the Statement of Policy it will give notice to the recognised Trade Unions but is not required to consult with them.

A copy of CCC's Statement of Policy will be sent to the Pension Fund administering authority.

### **Formulating, reviewing and publishing a policy**

Cambridge City Council is required to formulate and keep under review its policy on the exercise of discretions under the LGPS Regulations. Following any change in its policy Cambridge City Council must publish the revised policy and send a copy to the Pension Fund administering authority within one month of the date the policy is revised. In formulating and reviewing its policy, Cambridge City Council must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

Cambridge City Council is also required to formulate and keep under review its policy on the exercise of discretions under the Discretionary Compensation Regulations, In doing so, Cambridge City Council

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- i) must have regard to the extent to which the exercise of its discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service; and
- ii) must be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs

### **Effective date of change**

Any change to the discretions exercised under the LGPS Regulations can take immediate effect from the date CCC agrees the change. A copy of the revised policy must be sent to the Pension Fund administering authority within one month of the date of any change.

Any change to the discretions exercised under the Discretionary Compensation Regulations cannot take effect until one month after the date CCC publishes a statement of its amended policy.

It should be noted that:

- This Statement of Policy will confer no contractual rights;
  - Subject to the section above (“effective date of change”) CCC retains the right to change the policy at any time without prior notice or consultation (although CCC will endeavour to discuss proposed changes with the recognised Trades Unions); and
  - Only the policy which is current at the time a relevant event occurs to an employee will be the one applied to that employee.

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Item

## WASTE COMPLAINTS APRIL - DECEMBER 2018

**To:**

Civic Affairs Committee [30/01/2019]

**Report by:**

Tony Stead, Business & Development Manager

Tel: 01223 - 457501 Email: [tony.stead@cambridge.gov.uk](mailto:tony.stead@cambridge.gov.uk)

**Wards affected:**

All

### 1. Introduction

- 1.1 This report provides an analysis of complaints made relating to the council regarding waste services during the period of April – December 2018.
- 1.2 The purpose of this report is to identify topics and trends in relation to complaints; identify areas of organisational learning that have taken place as a result of the complaints received.

### 2. Recommendations

- 2.1 Members are asked to note the contents of this report

### 3. Background

- 3.1. In the 2017-18 Annual Complaints Report, it was highlighted that the amount of complaints to the waste service had increased dramatically in comparison to previous years. This report was created to give an overview of the number of complaints to this service in 2018-19 so far,

and to see the impact of these complaints on the service throughout the year.

## **4. Implications**

### **(a) Financial Implications**

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The time and resources spent on responding to complaints is a not insignificant cost to the Council. Our aim should be to get things right first time as often as we can.

### **(b) Staffing Implications**

None

### **(c) Equality and Poverty Implications**

Analysis and action taken as a result of complaints has an important role to play in ensuring that our services are accessible to all those who wish or need to use them, and that as far as possible we are able to respond flexibly to the differing needs of our citizens and visitors.

### **(d) Environmental Implications**

None

### **(e) Procurement Implications**

None

### **(f) Community Safety Implications**

None

## **5. Consultation and communication considerations**

None

## **6. Background papers**

Background papers used in the preparation of this report:

- (a) Departmental Quarterly monitoring reports 2018

## **7. Appendices**

- (a) None

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Tony Stead, Business & Development Manager, tel: 01223 - 457501, email: [tony.stead@cambridge.gov.uk](mailto:tony.stead@cambridge.gov.uk).

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# Cambridge City Council

## Waste Complaints and Feedback Report April – December 2018

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## 1.1 Cambridge City Council Waste Complaints Report

1.1.1 Every year we publish our Annual Complaints Report, which gives an overview of the complaints the Council has received and how we have dealt with them. Following the 2017-18 report, we have chosen to highlight the waste service for further reporting as it continues to be the highest area of complaint.

Cambridge City Council welcomes customer feedback, to help us to identify and address problems for customers, and to improve our services.

### 1.1.2 Why we have produced this report

- To learn from our mistakes so that we can improve our services.
- To encourage people who have cause to complain to make comments and suggestions to help us make these improvements.
- To show how we've responded to complaints and what we've done to try to put things right.
- To publicise and explain our complaints process.

## 1.2 Our Complaints Procedure

### 1.2.1 What is a complaint?

Customers complain to the Council if they:

- Are unhappy about something we have or haven't done.
- Are not satisfied with the way a member of staff has treated them.
- Are not happy with the way a councillor has treated them.
- Want to complain for any other reason.

1.2.2 Cambridge City Council has a three stage complaints process:

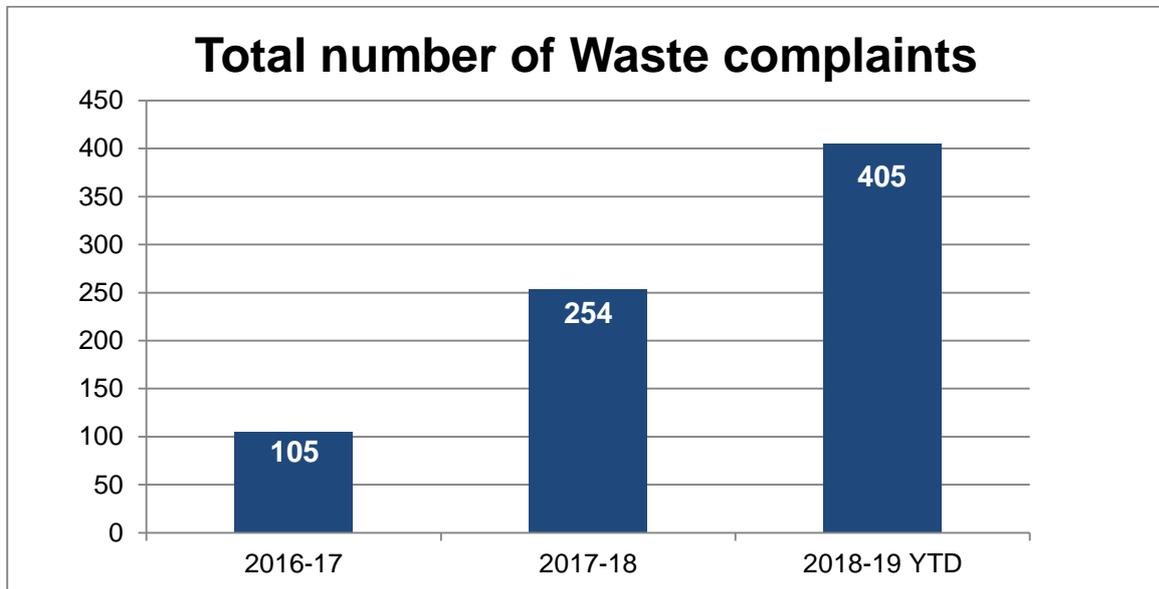
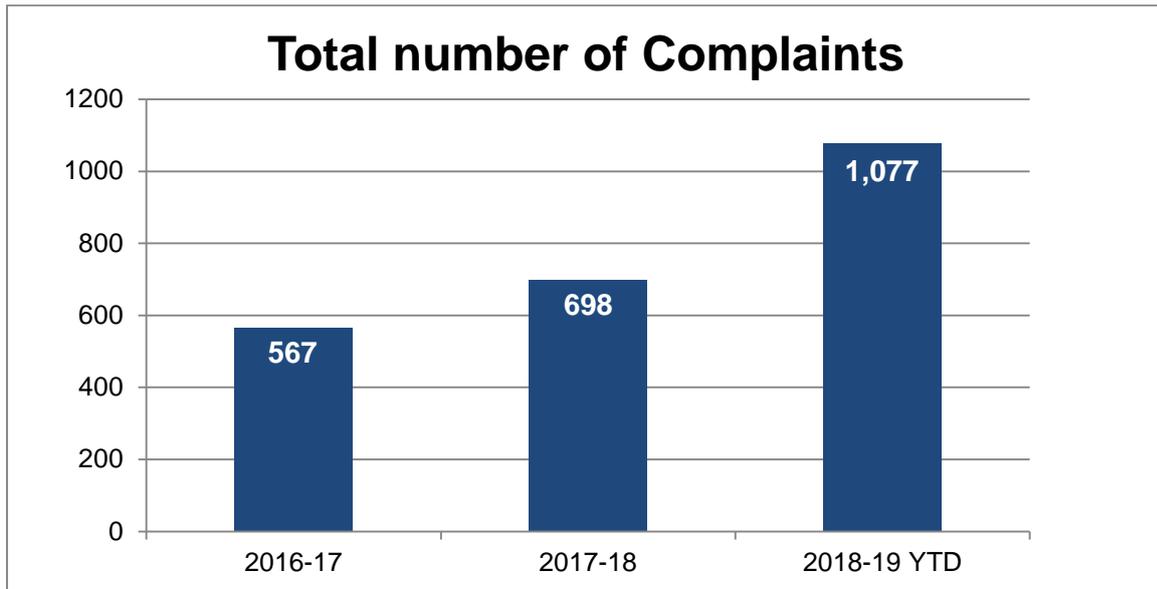
- **Stage One:** A complaint that has been made for the first time.
- **Stage Two:** Internal review of a complaint where the complainant is unsatisfied with the response to their complaint or the way in which the complaint has been handled, and they wish for their complaint to be considered further.
- **Stage Three:** Review by an Independent Complaints Investigator, where the complainant remains unsatisfied with the internal process and wish to take their complaint further.

The **Local Government Ombudsman (LGO)** is the final stage - the person affected must have gone through our complaints process before going to the LGO for an independent review.

## 2.1 Complaints to the City Council

2.1.1 The Council have received 1,077 complaints since April 2018. This is an increase of more than double on the number received in the previous year for the same reporting period.

2.1.2 The highest service area for complaint continues to be Waste Services. As with complaints overall, the number is continuing to increase. As illustrated below, the increase in service complaints is in line with the overall upward trend.



2.1.3 This report presents data for Waste Service complaints data from 1 April 2018 to 31 December 2018.

2.1.4 In this period over 170,000 telephone and electronic contacts were received, over 57,000 face-to-face visits recorded at the Customer Service Centre and over 5 million bins were collected by the waste service during this period. The number of complaints is relatively

low in relation to the volume of customer contacts received by Council services and the number of bins collected.

2.1.5 The Waste Service undertakes in the region 675,000 collections per month, collecting 3 bins per household per fortnight. The service has increased the number of successful collections to over 99.8%. The service now has less than 1,000 collections per month that are not collected on schedule for several reasons, a number outside the control of the service such as blocked roads, vehicle breakdowns, staffing shortages or issues where the bin has not been put out for collection.

2.1.6 The table below provides some context for the size of the operation.

	<b>Missed</b>	<b>Possible</b>	<b>Actual</b>	<b>% Missed</b>	<b>% Collected</b>
Apr-18	1,519	646,394	644,875	0.23%	99.77%
May-18	1,940	675,172	673,232	0.29%	99.71%
Jun-18	1,981	682,443	680,462	0.29%	99.71%
Jul-18	4,047	680,227	676,180	0.67%	99.33%
Aug-18	2,319	708,967	706,648	0.33%	99.67%
Sep-18	709	616,946	616,237	0.11%	99.89%
Oct-18	1,128	704,620	703,492	0.16%	99.84%
Nov-18	868	682,443	681,575	0.13%	99.87%

2.1.7 Complaints for Waste Service per quarter

<b>Waste Complaints</b>	<b>Stage 1 Complaints</b>	<b>Stage 2 Complaints</b>	<b>ICI Complaints</b>	<b>Complaints in Target</b>	<b>No. of compliments</b>
<b>Total 1/4/18- 31/12/18</b>	<b>405</b>	<b>24</b>	<b>1</b>	<b>67%</b>	<b>5</b>
<b>Quarter 1 1/4/18- 30/6/18</b>	57	1		46%	1
<b>Quarter 2 1/7/18- 30/9/18</b>	165	10	1	66%	-
<b>Quarter3 1/10/18- 31/12/18</b>	183	13	-	81%	4

### 2.1.8 Complaints for Waste Service per month

<b>Waste Complaints</b>	<b>Total Complaints</b>	<b>Positioning of bin</b>	<b>Staff Attitude</b>	<b>Missed collections</b>	<b>Other</b>
<b>April</b>	14	3	-	7	4
<b>May</b>	23	2	3	13	5
<b>June</b>	20	2	1	11	6
<b>July</b>	65	7	2	41	15
<b>August</b>	69	5	2	53	9
<b>September</b>	31	3	2	22	4
<b>October</b>	58	8	7	30	13
<b>November</b>	66	4	7	37	18
<b>December</b>	59	5	2	28	24

2.1.9 The service underwent several changes in 2018/19 including changes to collection policies, increased bin presentation monitoring and the introduction of a new waste management system to manage all aspects of the operations of the collection service and customer enquiries.

2.1.10 In July 2018 the service introduced a new waste management system, prior to the roll out of the system, all service process flows were reviewed to ensure that they provided to most efficient system to log service requests correctly and efficiently. These changes lead to new on-line system for reporting of missed bins and a revised on-line bins collection calendar that was integrated to the new management system. There was some initial teething trouble when the system went live which generated an increase in resident contact. These issues were acted on and resolved quickly, with messages put online for the public to keep them up to date.

2.1.11 The new online missed bin reporting system now automatically applies council collection policies in a clear and transparent manner, however some residents have not like this change in approach. Whilst it may have generated more complaints in the short term it has decreased the number of missed bins we return to collect.

2.1.12 The service has processes in place to address staff attitude complaints directly with the individuals involved and reoccurring issues such as bin positioning are also handled via the regular crew briefings, bespoke written warning and displays in the crew canteen. These reminders are backed up by Team Mangers doing on-street visits to the crew while they are doing their rounds.

2.1.13 It was agreed that the new waste management system would not be used for general comments or service complaints; nor continue with the previous practice of emailing or phoning the service managers with these types of issues. These issues would be recorded via the corporate compliments, complaints and suggestions tracker, to ensure that they were collected, resolved and trends spotted.

2.1.14 The change to using corporate tracker system has seen an increased number of logged complaints in a single system rather than complaints being spread over several systems, we are confident that there has not been an overall increase in complaints in to the service. The service is now able to provide a faster and more transparent reply to complaints and improved services to residents. This new process means that complaints trends can be reviewed by the service and the service can make changes to improve the customer experience and over time reduce the level of complaints received.

2.1.15 We are currently recruiting an Assistant Operations Manager, who will be able to assist the operations team with handling of this increase in queries and complaints. We will continue to work with our staff and customer services to better identify the nature of the communication and ensure they are correctly classified and captured correctly.

## 2.2 How complaints were received

Year	Face to Face %	Letter %	Email %	Telephone %	Other (Comment Cards) %
2018-19	1	2	19	14	1
2017-18	2	3	86	6	3
2016-17	3	7	82	6	2

2.2.1 The majority of complaints were received in writing, predominantly via email. 63% of complaints were logged by members of the public using the web form to report directly into Tracker. This number does not appear on previous years, as the functionality to report on this did not exist prior to the introduction of Complaints Tracker.

### 3.1 GovMetric - Customer Feedback System

3.1.1 GovMetric was introduced by customer services to monitor feedback and measure improvement. The tool allows us to record how the feedback was received, ratings of good, average or poor can be selected by customers. They are also able to select service areas/departments and give more specific detail about their experiences.

3.1.2 We currently use GovMetric to monitor feedback from the website, face to face visits in Mandela House reception and via service e-mails and incoming calls to Mandela House. The table below shows the amount of feedback received on the waste line for the reporting period.

#### GovMetric feedback via channels 1/4/18 – 31/12/18

Channel	Date	Total	Good %	Average %	Poor %
Phone	2018-19	349	90%	7%	3%
	2017-18	138	82%	12%	6%
	2016-17	125	82%	10%	8%