SUMMONS AND AGENDA
for the Meeting of the
County Council
on Thursday, 16 November 2017

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CUMBRIA COUNTY COUNCIL

MEETING OF THE COUNTY COUNCIL

To: ALL MEMBERS OF THE COUNTY COUNCIL

You are hereby summoned to attend the meeting of Cumbria County Council to be held at the, on Thursday 16 November 2017 at 10.00 am

Yours sincerely

[Signature]
Chief Executive

Cumbria House
Carlisle
CA1 1RD

Wednesday, 8 November 2017

GROUP MEETINGS

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AGENDA

PART 1: ITEMS LIKELY TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1 ROLL CALL OF MEMBERS

2 DECLARATIONS OF INTEREST

To disclose any disclosable pecuniary interests relating to any item on the agenda.

Members are asked to refer to the Monitoring Officer for advice in relation to the declaration of interests at meetings of the full Council. A complete list of declarations notified to the Monitoring Officer by 5.00 pm on Monday 13 November 2017 will be circulated at the meeting. If any member wishes to correct or add to the circulated list, guidance on what constitutes a disclosable pecuniary interest is set out below.

NB The following is a summary of what constitutes a disclosable pecuniary interest. Please seek advice from Legal and Democratic Services.

Members are invited to disclose any disclosable pecuniary interest they have in any item on the agenda which comprises

1 Details of any employment, office, trade, profession or vocation carried on for profit or gain.

2 Details of any payment or provision of any other financial benefit (other than from the authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. (This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

3 Details of any contract which is made between you (or a body in which you have a beneficial interest) and the authority

   (a) Under which goods or services are to be provided or works are to be executed; and

   (b) Which has not been fully discharged.

4 Details of any beneficial interest in land which is within the area of the authority.

5 Details of any licence (alone or jointly with others) to occupy land in the area of the authority for a month or longer.

6 Details of any tenancy where (to your knowledge)
(a) The landlord is the authority; and

(b) The tenant is a body in which you have a beneficial interest.

7 Details of any beneficial interest in securities of a body where

(a) That body (to your knowledge) has a place of business or land in the area of the authority; and

(b) Either –

   (i) The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

   (ii) If that share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

In addition, you must also disclose other non-pecuniary interests set out in the Code of Conduct where these have not already been registered.

**Note**

A “disclosable pecuniary interest” is an interest of a councillor or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they are civil partners).

3 **MINUTES**

To confirm as a correct record the minutes of the meeting of the Council held on 6 September 2017 (copy enclosed). *(Pages 9 - 20)*

4 **EXCLUSION OF PRESS AND PUBLIC**

To consider whether there are any items on the agenda for which the press and public should be excluded.

5 **PUBLIC PARTICIPATION**

To receive petitions or questions from the public under the Public Participation Scheme for the Council. This item is time limited to 30 minutes.

At the date of publication of the Agenda no items of public participation had been received.

6 **ANNOUNCEMENTS AND COMMUNICATIONS**
To receive any announcements from the Chair, Leader, Members of the Cabinet or the Chief Executive.

7 MINUTES OF THE CABINET

To receive the minutes of the meetings of the Cabinet held on 21 September 2017 and 19 October 2017.

The Chair will ask members if they have any questions on the minutes taking each page in turn. Members should state clearly the minute number of the item concerned. (Pages 21 - 34)

8 TREASURY MANAGEMENT HALF YEAR STRATEGY REVIEW 2017/18

To consider a report from the Deputy Leader of the Council on the Treasury Management Half Year Strategy Review (copy enclosed). (Pages 35 - 54)

9 MEMBERS ALLOWANCES SCHEME

To consider a report from the Leader of the Council on the Members Allowances Scheme 2018/2019 (copy enclosed). (Pages 55 - 90)

10 APPOINTMENT OF INDEPENDENT MEMBERS TO THE STANDARDS COMMITTEE

To consider a report from the Monitoring Officer on the appointment of independent members of the Standards Committee (copy enclosed). (Pages 91 - 96)

11 REALLOCATION OF FUNCTIONS

To consider a report from the Leader of the Council on the allocation of functions to officers of the Council (copy enclosed). (Pages 97 - 100)

12 QUESTIONS

To consider questions from Members, in accordance with Council Procedure Rule No 11.2, to the Leader, a Member of the Executive or the Chair of any Committee.

13 SCRUTINY MANAGEMENT BOARD

To receive a report from the Chair of the Scrutiny Management Board (copy enclosed). (Pages 101 - 106)

14 MINUTES OF COMMITTEES

a Audit and Assurance Committee

To receive the minutes of a meeting of the Audit and Assurance Committee held on 12 September 2017 and 25 September 2017 (copies enclosed.) (Pages 107 - 148)
b Cumbria Pensions Committee

To receive the minutes of a meeting of the Cumbria Pensions Committee held on 18 September 2017 (copy enclosed). (Pages 149 - 160)

15 URGENCY PROVISIONS

To receive a report from the Leader of the Council on urgent decisions taken since the Council meeting on 6 September 2017 (copy enclosed). (Pages 161 - 166)

16 NOTICES OF MOTION

To consider the motions set out below, which were received by the due date.

Mr M Brereton with move that

“This Council notes the recent announcements by Chris Grayling MP, Secretary of State for Transport in respect of funding to improve local roads and public transport. Whilst we welcome the funds pledged to Whitehaven alongside the previous investments that have come into Cumbria, we are also keen to see that the prevailing need across our County is realised to ensure that our infrastructure is fit for purpose.

This Council calls upon all political groups and stakeholders to agree a concerted plan of action to promote and escalate the case for investing in our County.

This Council acknowledges that progress to date has been slow and that now is the time to put aside party politics and work together in order to evidence the true need which exists across our County.

This Council therefore resolves to;

- Collectively work together to lobby and secure further investment from Central Government, in order to support infrastructure improvements across the County’s key road networks.
- Ensure Members of all groups use their political influence and links, building upon existing relationships with central government to ensure that our case is evidenced and robust.”

Lord RJ Liddle will move that

“This council expresses grave concern at the manner and pace with which the Cumbria Partnership NHS Foundation Trust is pressing ahead with plans to close the beds at Wigton Hospital.
In December 2016 Cabinet agreed the County Council’s response to the Success Regime proposals. The response confirmed the Council’s support for the concept of Integrated Care Communities on an area by area basis, with the aim of bringing together the NHS community, Adult Social Care and GP Provision in order to deliver a better service for patients in a more cost effective way.

However, the response also made clear that this Council is opposed to the removal of inpatient community hospital beds at Wigton, Maryport and Alston without costed alternative arrangements being put in place, and considers that any savings realised from changes in provision will need to be reinvested in community services.

If North Cumbria CCG wishes to maintain the confidence of the local community, and the full co-operation of the County Council in making these necessary changes in provision, it must listen to concerns that adequate alternative provision must be fully in place before any existing beds are closed or relocated, particularly whilst bed blocking remains a principal concern impeding high quality service delivery at the Cumberland Infirmary and the West Cumberland Hospital.”

17 SPEECHES

To hear speeches (not exceeding five minutes each) for up to a specified period of 30 minutes, from individual members, of which at least 24 hours’ notice has been given to the Corporate Director – Resources and Transformation.
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COUNTY COUNCIL

Minutes of a Meeting of the County Council held on Wednesday, 6 September 2017 at 10.00 am at Council Chamber, County Offices, Kendal

PRESENT:

Councillor Mr J Bell (Chairman)

Mr J Airey  Miss HJ Fearon  Mrs M Rae
Mr T Allison  Mr LN Fisher  Mr GRPM Roberts
Mr MS Barbour  Mr D Gawne  Mrs S Sanderson
Mr AL Barry  Mr W Graham  Mr B Shirley
Mrs PA Bell  Mr KR Hamilton  Mr DE Southward
Mr B Berry  Mrs RC Hanson  Mr I Stewart
Mr RW Betton  Mr M Hawkins  Mrs V Tarbitt
Mr RK Bingham  Mr K Hitchen  Mr P Thornton
Mr J Bland  Mr C Hogg  Mrs C Tibble
Mrs C Bowditch  Mr JS Holliday  Mr CP Turner
Mr A Bowness  Mr A Kennon  Mrs H Wall
Mr M Brereton  Mr AWC Lamb  Mr R Watson
Mrs A Burns  Lord R Liddle  Mr WJ Wearing
Mrs HF Carrick  Mr J Lister  Mr C Weber
Mr F Cassidy  Mr KA Little  Mr D Whipp
Mr W Clark  Mr T Lywood  Mr CJ Whiteside
Mr A Connell  Mrs EA Mallinson  Mr S Wielkopolski
Mr GD Cook  Mr J Mallinson  Mrs EL Williamson
Mr N Cotton  Mr AJ Markley  Mr D Wilson
Mr P Dew  Mr NH Marriner  Mr M Wilson
Ms C Driver  Mr H McDevitt  Mr AW Wonnacott
Ms D Earl  Mr W McEwan  Mr R Worthington
Mr GM Ellis  Mr A McGuckin  Mr MH Worth
Mr D English  Mr FI Morgan  Mr SF Young

There were 73 members present at the start of the meeting.

Apologies for absence were received from Mr SB Collins, Mrs S Evans, Mr DS Fairbairn, Mr HGG Graham, Mrs BC Gray, Mr S Haraldsen, Mr N Hughes, Ms C McCarron-Holmes, Mr S Stoddart, Mr T Wentworth-Waites and Mrs J Willis

29 ROLL CALL OF MEMBERS

Apologies were received from Mr S Collins, Mrs S Evans, Mr DS Fairbairn, Mr HGG Graham, Mrs B Gray, Mr S Haraldsen, Mr N Hughes, Mrs McCarron-Holmes, Mr S Stoddart, Mr T Wentworth-Waites and Mrs J Willis.
30 DECLARATIONS OF INTEREST

There were no interests declared at the meeting.

31 MINUTES

a Annual Meeting 29 June 2017

RESOLVED that the Minutes of the Annual Meeting held on 29 June 2017 be confirmed as a correct record and signed by the Chair.

b Ordinary Meeting 29 June 2017

Subject to the spelling of Mrs Gray’s name and Askam railway station being corrected and Councillor John Bell recorded as Chair, it was

RESOLVED that the Minutes of the Ordinary Meeting held on 29 June 2017 be confirmed as a correct record and signed by the Chair.

32 EXCLUSION OF PRESS AND PUBLIC

There were no items on the Agenda for which the press and public should be excluded.

33 PUBLIC PARTICIPATION

There had been no requests to use the Public Participation Scheme on this occasion.

34 ANNOUNCEMENTS AND COMMUNICATIONS

The Chairman made the following announcements:

(a) He had written to the Chairman of Cornwall County Council to express Cumbria’s sincere sorrow to the people of Cornwall after the devastating floods in the county.

(b) Rather than supporting a charity during his term of office, the Chairman encouraged all members to support food banks in the county.

(c) Inglewood Residential Home had been rated Outstanding by the Care Quality Commission.

The Cabinet Member for Health and Care Services commented on Extra Care Housing in the County and the financial boost to the Extra Care Programme. Previous Portfolio Holders were thanked for their work on the modernisation project. Council officers and staff at Cumbria Care were thanked for their work. He commented on the work to do in the future with partners and providers.

The Cabinet member for Schools and Learning commented on the exam results of young people in the county. Parents, students, carers and professional bodies were
thanked for their continuing work to improve standards. Members were updated on Key Stage 1 performance, provisional GCSE trends, Key Stage 4 and A level results. Children Looked After had performed better than in 2016 in all subjects but maths.

35 MINUTES OF THE CABINET

The Leader presented the Minutes of the Cabinet meeting held on 27 July 2017.

Questions were asked as follows:

Minute 11, Cumbria Cycling Strategy.

Mr Cotton asked for the approximate timetable for delivery of the Cumbria Cycling Strategy. The Cabinet Member for Highways and Transport undertook to provide a response to Mr Cotton.

Minute 10 Council Membership of Transport for the North (TfN).

Mr Whipp asked about Cumbrian people being represented by Lancashire County Council on the Transport for the North. The Leader advised that the North West region had been allocated one Local Authority representative and one from the LEP. Therefore, Cumbria had representation on the TfN Partnership Board through the Leader of Lancashire County Council and the Chair of Cumbria LEP.

Minute 12 Youth Justice Strategic Plan

Mrs Tarbitt advised that the Children and Young People Scrutiny Advisory Board had convened a meeting to consider the Youth Justice Strategic Plan 2017 – 18. It had been recommended that the Plan be reviewed by the Board later in 2017.

36 ADOPTION OF THE CUMBRIA MINERALS AND WASTE LOCAL PLAN AND POLICIES MAP

A report was considered from the Cabinet Member for Environment regarding the Adoption of the Cumbria Minerals and Waste Local Plan and Policies Map which sought the Council’s agreement, with Cabinet’s recommendation that the modifications recommended by the inspector should be made and that the Cumbria Minerals and Waste Local Plan and Policies Map should be formally adopted.

The Cabinet Member for Environment moved that the Cumbria Minerals and Waste Local Plan and Policies Map be formally adopted, seconded by Mr Southward, who thanked officers for their hard work.

Mr Bingham asked if any consideration had been given to historical claims that mineral rights under properties in parishes in his division may not belong to
residents and occupants. The Cabinet Member for Environment undertook to give a written response to Mr Bingham.

**RESOLVED** that the Minerals and Waste Local Plan and the Policies Map, with the changes recommended in the Inspector’s report are formally accepted.

### 37 YOUTH JUSTICE STRATEGIC PLAN 2017/18

A report was considered from the Cabinet Member for Children’s Services regarding approval of the Youth Justice Strategic Plan 2017/2018 which required submission to the Youth Justice Board.

The Cabinet Member for Children’s Services presented and moved the Recommendation, seconded by Mrs Sanderson.

Mrs Bowditch asked for and was provided with clarification of the support available to young people with learning disabilities. On being asked by Mr Airey to comment on what actions had been introduced because of increases in repeat offences, the Cabinet Member for Children’s Services advised on early intervention and wrap around teams to support children.

Lord Liddle reported on issues with anti social behaviour in his Division stressing the importance of community policing. A number of members commented on initiatives in their areas to reduce anti social behaviour, supporting a joint working approach with other organisations to reduce anti social behaviour.

Mr Mallinson referred to restorative justice approach identified in the Strategic Plan, asking how it was progressing, acknowledging that it may be too early to report on progress. The Cabinet Member for Children’s Services advised that it was early but undertook to provide a written response to Mr Mallinson.

**RESOLVED** that the Cumbria Youth Offending Service Strategic Plan 2017/2018 be agreed for submission to the Youth Justice Board.

### 38 QUESTIONS

The following questions were asked:

Mr Airey asked the Cabinet Member for Highways and Transport whether discussions had been held with South Lakeland District Council regarding the closure of New Road car park in Kendal, whether implications on parking on surrounding streets had been considered following the closure and would there be any positive impact on revenue for the County Council should parking meters be introduced in South Lakeland. The Cabinet Member for Highways and Transport advised that he was not aware of discussions taking place, if parking on surrounding streets was affected, this would be addressed and there was no intention at this time to introduce parking meters.
Mr Wielkopolski asked the Cabinet Member for Public Health and Community Services to work with him to support health and wellbeing in the workplace, looking at lessons learnt from other organisations’ initiatives. The Cabinet Member for Health and Community Services agreed to work with Mr Wielkopolski.

The Cabinet Member for Schools and Learning concurred with Mr M Wilson when he asked her if she considered it excellent news that Sir John Barrow School’s Governing Body had won a national award for outstanding practice.

Mr Dew asked the Cabinet Member for Schools and Learning to applaud the local community at Kirkby Stephen who had built their own school classroom and to undertake to provide funding for transport costs for children. The Cabinet Member for Schools and Learning gave an appraisal of the actions she had, and would be, taking to gather information about the school’s challenges.

Mr Betton asked the Cabinet Member for Highways and Transport about proposed changes to the road configuration at Warwick Road Carlisle, highlighting local residents’ frustration with a lack of answers to their questions and on the opposition of local political representatives to the proposals. The Leader advised on how the scheme had developed, what the County Council’s role was in the scheme and referred to a local petition and on the impact on the Local Plan should the scheme not be agreed.

Mr Berry referred to the Borderlands Growth Scheme asking the Leader if it would only benefit the north of the county at the expense of the Leader supporting the whole of the county. The Leader explained how the Government initiative had developed, how the county council had been involved, that it would not affect governance, advising on the funding which may be available and emphasised that his concerns covered the whole county and would do his best for all areas.

Mr Whiteside asked the Cabinet Member for Highways and Transport whether he agreed that capacity issues on the strategic road network on the west coast were serious and that it was having an adverse effect on the economy and quality of life in areas close to the road network. He considered that the county council should work with Highways England to improve the road network. In response, the Cabinet Member for Highways and Transport reassured members that the County Council had raised the matters referred to, with the Secretary of State for Transport and that improvements to road safety and capacity were a priority.

Mrs Tarbitt asked the Cabinet Member for Economic Development about the Community Asset Transfer of a Multi Use Games Area (MUGA) at a school in her division which was now an Academy. She questioned whether the MUGA would be available to use out of school hours. The Cabinet Member for Economic Development undertook to provide a written response to Mrs Tarbitt.

Mr Ellis asked the Cabinet Member for Public Health and Community Services who he should approach for an apology as the Harraby Cycleway Scheme in Carlisle was over budget and incomplete. The Cabinet Member for Public Health and Community Services undertook to provide a written response.
Mr Shirley asked the Cabinet Member for Schools and Learning to work with the Conservative Group in obtaining a share for Cumbria of the £1.3bn of extra school funding, which had recently been announced by the Education Secretary. The Cabinet Member for Schools and Learning welcomed the opportunity to work with the Conservative Group in order to raise standards in Cumbria.

Mr Whipp asked the Cabinet Member for Highways and Transport asked who was involved and how the decision had been arrived at to cut support for rural transport in Eden. The Cabinet Member for Highways and Transport advised that the full Council had agreed this in setting the budget and explained how savings had been identified, commenting on the solutions the county council had found to provide options for transport in rural areas.

Mr Bingham drew attention to students living in isolated locations and asked whether Government funding would be spent on rural transport provision for them. The Cabinet Member for Schools and Learning commented on her awareness of the issues raised by Mr Bingham explaining the challenges of meeting the criteria for funding.

On being asked by Mr Markley, the Leader joined him in congratulating the Head, Governing Body and Children of Silloth Primary School in attaining Outstanding in its Ofsted inspection. The Leader also joined Mr Markley in congratulating the community of Silloth in attaining its Green Flag Award on Silloth Green.

39 SCRUTINITY UPDATE REPORT

A report was considered from the Chair of the Scrutiny Management Board which updated full Council on the work of Scrutiny and any issues and developments that had occurred since the last meeting of the full Council.

Before moving that the report be noted, the Chair of the Board advised that some Boards were yet to meet and gave an update on a recent scrutiny development and work programme planning session held in July 2017. New members and the Scrutiny team were thanked for their work at the event.

Mr Hawkins encouraged members to consider becoming an Autism Champion in their Local area which was supported by the Chairman who encouraged members to get involved in their local area.

RESOLVED that the report be noted.

40 MINUTES OF COMMITTEES

a Workington Harbour Board

The Cabinet Member for Highways and Transport moved receipt of the Minutes of the meeting of Workington Harbour Board held on 20 July 2017.
RESOLVED that the Minutes of the meeting of Workington Harbour Board held on 20 July 2017 be received.

41 CORPORATE PARENTING BOARD

The Cabinet Member for Children’s Services presented a report which provided members with an update on the work of the Corporate Parenting Board. In moving that the report be noted, she thanked the Board’s members commenting that it was an apolitical group of members who were dedicated to working for the good of children. Mrs Sanderson seconded the report.

The Cabinet Member for Children’s Services referred to a newsletter from the See It, Say It, Change It Group which would be circulated around all members of the Council.

RESOLVED that

1. The report be noted.
2. The See It, Say It, Change It Group newsletter be circulated around all members of the Council.

42 NOTICE OF MOTIONS

There were no notices of Motion on this occasion.

43 SPEECHES

Mr Connell gave a speech on public transport.

The meeting ended at 12.05 pm
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Mr Nick Cotton: asked for the Cabinet Member for Highways and Transport to give an approximate timetable for delivery of the Cumbria Cycling Strategy.

Response of the Cabinet Member for Highways and Transport dated 16 October 2017

The Cumbria Cycling Strategy covers the period from 2017 to 2022. Delivery of the strategy will require significant investment from both the public and private sectors. Some of these decisions are outside the control of the County Council, but the Council, as a leading member of the partnership that has endorsed the strategy, will actively make the case for investment.

Each partner organisation will own their body’s actions in the delivery plan once they have endorsed the strategy.

The time scales for the delivery of the strategy are as follows:

December 2017 All the partners to have endorsed the Cumbria Cycling Strategy
March 2018 Partners to have agreed the Cumbria Cycling Strategy delivery plan
From 2018 onwards annual reviews of the delivery plan will take place and the document will be renewed. The delivery plan is an active document.
March 2022 Final review of the delivery plan, planning for the next five years and renewing the strategy and the partnership.

Mr Roger Bingham: asked if any consideration had been given to historical claims that mineral rights under the land of residents and occupants of properties in parishes in his division may not belong to them.

Response of the Cabinet Member for Environment dated 13 October 2017

The ownership of mines and minerals is an interest in land. It can and often is held separately to that of the freehold ownership of the surface land. The legal title to the ownership of mines and minerals can be registered at the Land Registry. Where mines and minerals are separately owned, that ownership usually carries with it a reservation of all powers that are necessary for working the minerals. However, in doing so the surface must not be damaged.

A relatively recent change in property law meant that it was necessary to register title to mines and minerals and there was a flurry of applications to register such
ownership leading up to 13 October 2013, those applications being made by those who believed they had the right to be registered as owners to such titles. This may explain why you say ‘the claims have died down’.

Ultimately, there is no role for the County Council to play in these matters. They are simply a matter of private legal ownership for the private land owners themselves and a fact of land ownership in England and Wales.

Mr John Mallinson: asked how the restorative justice approach mentioned in the Strategic Plan was progressing, commenting it may be too early to report on at this stage.

Response of the Cabinet Member for Children’s Services dated 26 September 2017

Thank you for your question regarding restorative justice with regard specifically to the Youth Offending Service Strategic Plan.

I am able to provide the following update for you which has been provided to me from the service.

Restorative Justice underpins all the work we do within the Youth Offending Service. There are three dedicated Restorative Justice Workers, one based in the West, one in the South and one in the North, who work with young people, families and victims of crime.

The Restorative Justice workers work with young people at Youth Crime Prevention stage (before formal entry into the Criminal Justice system), with young people receiving Youth Cautions and Youth Conditional Cautions and young people on statutory orders.

Information about restorative interventions is currently collated on a quarterly basis, by the Restorative Justice Workers. However in the future this information will be part of a new set of performance indicators produced for the YOS Management board, allowing us to draw much more accurate and detailed data, giving greater oversight of this particular area of work.

I hope this information is helpful and of course I would be happy to discuss the matter with you further should you require.

Mr Wielkopolski asked that following a central government announcement regarding financial investment to support health services in Cumbria, the Cabinet Member for Public Health and Community Services to work with him to support health and wellbeing initiatives.
In response, at the Council meeting on 6 September the Cabinet member for Public Health and Community Services undertook to work with Mr Wielkopolski.

**Mrs Val Tarbitt** asked whether the existing conditions involved in a Community Asset Transfer of a Multi-use Games Area to the former Longtown Primary School several years ago would still apply now that the school was an Academy and if not, what are the potential implications for the community.

**Response of the Cabinet member for Economic Development and Property dated 12 October 2017**

Further to your question raised at Full Council on 6 September 2017 regarding the conditions involved in the transfer of the MUGA to Longtown Primary School, I am writing to confirm the position regarding the public’s use.

It would appear that there is no requirement for the school to provide access to the public other than by agreement. I understand you have been involved with the transition of the school to an Academy and would hope this puts you in a good position to work with the academy to resolve the current issue.

I hope this provides clarity and if I can be of further assistance please do not hesitate to contact me.

**Mr Gareth Ellis** asked who to approach for an apology with regard to the Harraby Cycleway Scheme as the project was over budget and abandoned by builders.

**Response of the Cabinet Member for Public Health and Community Services dated 12 October 2017**

Further to your question at the County Council meeting 6th September 2017 I can confirm that the Harraby Cycle Way project which will provide a 1km long closed road circuit is being delivered by and is the responsibility of Carlisle City Council. The contact at Carlisle City Council is Gavin Capstick, Contracts and Community Services Manager, telephone number 01228 817 123, email gavin.capstick@carlisle.gov.uk.

“See it, Say it, Change it” Group Newsletter circulated to all members on 14 September 2017 by Nicola Harrison – Professional Lead – Democratic Services.
CUMBRIA COUNTY COUNCIL

Minutes of a Meeting of the Cabinet held on Thursday, 21 September 2017 at 10.00 am at Conference Room A, Cumbria House, Carlisle CA1 1RD

PRESENT:

Mr SF Young (Leader)
Ms D Earl
Mr KA Little
Mr DE Southward
Mrs C Tibble

Officers in attendance:

Corporate Director - Economy and Highways, Corporate Director - Children and Families Services, Corporate Director - Resources and Transformation, Assistant Director - Finance, Senior Manager - Legal and Democratic Services, Assistant Director - Health & Wellbeing and Chief Executive, Cumbria County Council and Chief Fire Officer.

PART 1 ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

14 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr P Thornton.

The Leader advised that due to an accident on the M6, Mrs Burns, Mrs Sanderson, Mr Stewart and Mrs Willis were delayed in traffic. He proposed that the meeting commence at 10.00am in their absence.

The meeting was quorate as per the County Council's Constitution:

Part 5B – Cabinet Procedure Rules – Minimum attendance/ Quorum:

1.14 The minimum attendance for a meeting of the Cabinet is 40% of all members of the Cabinet (with the number being rounded up to the nearest whole number). The minimum attendance must include either the Leader or Deputy Leader, or if both are absent then a specified Cabinet Member designated by the Leader or Deputy Leader.
15 DISCLOSURES OF INTEREST

There were no disclosures of interest declared.

16 MINUTES

RESOLVED that the minutes of the meeting held on 27 July 2017 be agreed and signed by the Chair.

17 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, the press and public be excluded from the meeting during consideration of Agenda item 13 – Strategic Acquisitions – Land and Buildings in Carlisle and South Lakeland by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contained exempt information relating to financial or business affairs of any particular person (including the authority holding that information).

18 STATEMENTS BY THE LEADER OF THE COUNCIL AND CABINET MEMBERS

The Cabinet Member for Public Health and Community Services stated that she had undertaken a Sensory Walk organised by the County Council in partnership with organisations representing the blind and partially sighted. She advised on the route, experience of the walk and praised the volunteers.

19 PUBLIC PARTICIPATION

There were no questions, petitions or statements made on this occasion.

20 REGULATION OF INVESTIGATORY POWERS ACT 2000

Cabinet considered a report from the Senior Manager – Legal and Democratic Services and Monitoring Officer regarding the Regulation of Investigatory Powers Act (RIPA) 2000 which sought approval of the policy document that set out how Cumbria County Council will comply with the RIPA Act 2000. Cabinet was asked to note that there had been no RIPA authorisations applied for or granted since the date of the last report in September 2016.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report, that
1 Cabinet note the work being undertaken by officers.
2 Cabinet approve the updated policy in respect of how Cumbria County Council will comply with the Regulation of Investigatory powers Act 2000.

21 CORPORATE PERFORMANCE MONITORING REPORT - QUARTER 1, 2017/18

Cabinet considered a report from the Corporate Director – Resources and Transformation regarding the Corporate Performance Monitoring Report – Quarter 1, 2017/18 which gave a progress update on Corporate Performance and focussed on the Council Plan Delivery Plan for 2017/18 which had been agreed at Cabinet in March 2017.

The Leader referred to challenges in relation to the delivery of targets associated with the delayed transfer of care, and discussions that had taken place with health colleagues. He considered the Council to be in a good position given the improved performance across all the indicators in anticipation of the imminent OFSTED inspection.

The Chief Fire Officer gave an update on the latest position regarding the joint emergency medical response pilot with the North West Ambulance Service.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report and above that

1. Cabinet note overall performance across the 5 Council Plan priorities, including progress against the Council Plan Delivery Plan for the 1st quarter ending 30th June 2017.
2. Cabinet note performance at 30th April 2017 across the key performance indicators that are used to track progress against the Children’s Improvement Plan.

22 REVENUE AND CAPITAL BUDGET MONITORING REPORT TO 30TH JUNE 2017

Cabinet considered a report from the Corporate Director – Resources and Transformation regarding the 2017/18 Revenue and Capital Budget Monitoring Report to 30 June 2017 which set out the Council’s financial position at 30 June 2017 covering the Revenue Budget, Capital Programme and Treasury Management.

The Assistant Director – Finance (Section 151 Officer) reported on five key messages for Cabinet in summarising the report, adding that every effort was being made to reduce the forecast revenue budget pressure by the year end.
The Leader referred to budget pressures in the directorates advising of the possible impact in 2018/19 should budget pressures be carried forward. In welcoming the report, the Leader highlighted that pressures on the older adults budget should be considered in context of NHS pressures and the county's demography.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report and above, that

a) Cabinet notes the Revenue Budget at the provisional outturn for monitoring purposes of £380.770m as a result of the transfers from the Inflation and Contingency budget and agreed transfers from reserves (set out in Appendix 1 of the report).

b) Cabinet notes the forecast Revenue Budget outturn of a net pressure of £2.990m at Q1.

c) Cabinet notes progress in delivering the 2017/18 savings target of £16.398m; a total of £10.387m (63.3%) of the 2017/18 savings target is forecast to be delivered by 31st March 2018.

d) Cabinet notes the forecast General Reserve balance at 31st March 2018 of £7.169m at Q1. The minimum level of General Reserve Balances target set by Council in February 2017 was £10m.

e) Cabinet approves the transfer of £0.300m to the Children and Families Services Directorate following notification of the final Focussed Family Grant allocation for 2017/18. The allocation is £0.300m greater than the original budget.

f) Cabinet approves the transfer of £1.137m from the Contingency Budget to Directorate budgets as set out in Table 4 paragraph 3.14 of the report.

g) Cabinet approves the inclusion of £11.1m of Improved Better Care Fund specific grant to Health and Care Services budget to be utilised in accordance with the conditions of the grant.

h) Cabinet approves the additional capital scheme increases of £1.778m for 2017/18 referred to in Table 6 (paragraph 3.28) funded from external contributions.

i) Cabinet recommends to Council in respect of the Capital Programme:-

i. the inclusion of the £1.000m capital spend increase associated with the LEP Barrow Waterfront scheme and associated funding;

ii. the inclusion of the £0.520m capital spend associated with bridges and structures and associated funding;
iii. to accelerate £0.150m from 2018/19 into this year’s Capital Programme against Individual Access Needs Capital to meet the current demand for alterations to schools to meet specific needs in 2017/18 and to accelerate £0.250m from 2018/19 into this year’s budget in order to accelerate the Road Restraint System Programme which is highway safety related.

iv. the approval of the proposed re-profiling of £22.099m of approved capital spend into future years;

j) Cabinet notes the forecast position for the Capital Programme 2017/18 at the year-end of £164.351m against a current budget of £164.598m (excluding Accountable Bodies) resulting in a variance of (£0.247m) which is made up of (£0.247m) underspend, as set out in Table 7 of the report.

k) Cabinet notes Treasury Management activities during Q1 have operated within the treasury limits set out in the Council’s Treasury Policy Statement and Treasury Strategy Statement and the Prudential Indicators set by Council in February 2017.

23 RESPONSE TO THE BARROW BOROUGH LOCAL PLAN PRE-SUBMISSION CONSULTATION

Cabinet considered a report from the Corporate Director – Economy and Highways regarding the response to the Barrow Borough Local Plan Pre-Submission Consultation. The report sought Cabinet’s agreement to the proposed County Council response. When adopted, the Plan would identify key development sites in Barrow up to 2031.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report, that Cabinet approves the consultation response attached at Appendices 1 and 2 of the report for submission to Barrow Borough Council.

24 HEALTH AND CARE INTEGRATION

Cabinet considered a report from the Corporate Director Health, Care and Community Services which updated members on the progress in carrying out council policy as agreed through the Council Plan, the Council Plan Delivery Plan and the Cabinet Decision of April 2016 with regards to the integration of health and social care.

The Leader advised that he had requested Cabinet consider the report given the large amount of work being undertaken by the NHS and County Council and the significant changes to the way health provision would operate in the county. He
considered local members had a part to play and requested that all members of the Council and the District Councils received the report.

The Cabinet Member for Public Health and Communities welcomed the progress being made and offered her support for the future. She welcomed the emphasis on prevention and commented on the agenda of the Council’s community development teams and their role in moving the health and care agenda forward.

The Cabinet Member for Highways and Transport highlighted the challenges being faced by different communities and to pressures on the Ambulance Service. A short discussion took place on Integrated Care Communities and provision of the community run ambulance service in Alston.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report, that

1. Cabinet notes the current progress on developing more integrated services and systems with health partners and the work being undertaken to develop Integrated Care Communities.
2. Cabinet notes the current programmes of work developing models of accountable care in both West, North and East Cumbria and in Morecambe Bay.
3. The report be circulated to all members of the Council and to District Council Leaders and Chief Executives.

25 2019-2020 SCHOOL ADMISSIONS ARRANGEMENTS

Cabinet considered a report from the Corporate Director – Children and Families Services regarding the 2019/2020 School Admissions Arrangements. The report set out the proposed admission arrangements for Community and Voluntary Controlled Schools for which the county council is the statutory admission authority and the proposed coordinated scheme for school admissions in 2019/20 which the council is required to formulate by 1 January 2018.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report that

1. Cabinet approves the amended admissions policy for Community and Voluntary Controlled schools at Appendix A of the report for consultation with the required groups as set out in the School Admissions Code 2014, paragraph 1.44. This includes consultation on proposals to reduce the Published Admission Number (PAN) for George Romney Junior School, Greengate Junior School and The Nelson Thomlinson School.
2. Cabinet notes that a further report will be brought to Cabinet in December 2017 to provide feedback from consultations and to seek a decision on adoption of the 2019-20 admission arrangements for Community and Voluntary Controlled schools.
3 Cabinet approves the re-designation of the Heversham St Peter’s catchment area as detailed in paragraphs 14 – 16 of the report, with immediate effect.

4 Cabinet approves the proposed coordinated scheme set out at Appendix B of the report.

5 Cabinet agrees the nursery admissions policy for 2019-20 for community and voluntary controlled nursery schools and infant/primary schools providing nursery education.

PART 2: ITEMS LIKELY TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

26 STRATEGIC ACQUISITIONS - LAND AND BUILDINGS IN CARLISLE AND SOUTH LAKELAND

Cabinet considered a report from the Corporate Director – Economy and Highways regarding strategic acquisitions – land in Carlisle and South Lakeland districts to support the delivery of the key priorities of the Council as set out in the Council Plan 2016-19.

The Cabinet member for Economic Development commented positively on the four proposed acquisitions as set out in the report.

RESOLVED that after considering the options set out in the published report and for the reasons set out in the report, that Cabinet

1 Approves the acquisition of the following land and buildings:

   a. land adjacent to Rockcliffe School, Carlisle as set out in the plan in Appendix 1;
   b. land adjacent to Brook Street School, Carlisle as set out in the plan in Appendix 2;
   c. former ambulance station, Victoria Road, Ulverston as set out in the plan in Appendix 3;
   d. land adjacent to Petteril House, Carlisle as set out in the plan in Appendix 4; and

2. Delegates authority to the Corporate Director for Economy and Highways, in consultation with the Portfolio Holder for Economic Development and Property, to finalise the detailed terms of each acquisition.

The meeting ended at 11.05 am
CUMBRIA COUNTY COUNCIL

Minutes of a Meeting of the Cabinet held on Thursday, 19 October 2017 at 10.00 am at Council Chamber, County Offices, Kendal

PRESENT:

Mr SF Young (Leader)
Mrs A Burns
Ms D Earl
Mr KA Little
Mr DE Southward
Mrs C Tibble
Mr I Stewart
Mrs J Willis
Mrs S Sanderson
Mr J Airey

In Attendance: Mr J Airey

Officers in attendance:

Corporate Director - Health, Care and Community Services, Corporate Director - Economy and Highways, Corporate Director - Children and Families Services, Assistant Director - Finance (Section 151 Officer), Senior Manager - Legal and Democratic Services, Leadership Support Officer - Liberal Democrat Group, Leadership Support Officer - Labour Group, Chief Executive, Cumbria County Council and Leadership Support Officer - Conservative Group

PART 1 ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

27 APOLOGIES FOR ABSENCE

Apologies were received from Mr Peter Thornton, Cabinet Member for Health and Care Services.
28 DISCLOSURES OF INTEREST

Mrs Sanderson, the Cabinet Member for Schools and Learning declared a non-pecuniary interest in Agenda Item 10, as a governor of the Sandside Lodge School. She advised the meeting that owing to the nature of the decision she would nonetheless leave the meeting during this item.

29 MINUTES

RESOLVED, that the minutes of the meeting held on 21 September 2017 be approved.

30 EXCLUSION OF PRESS AND PUBLIC

RESOLVED, to exclude the press and public during Item 10 Award of Contract Construction of a new Special Education Needs School in Ulverston.

31 STATEMENTS BY THE LEADER OF THE COUNCIL AND CABINET MEMBERS

Mr K Little, Cabinet Member for Highways and Transport made a statement about the Association of Community Rail Partnerships (ACoRP) Community Rail Awards held on 5 October. Community Rail Cumbria had received the Award for Outstanding Contribution to Community Rail. This was only the second time that a community rail organisation had received this award, which is normally awarded to major rail operators. The team also received five other awards for collaborative rail related projects in Cumbria.

Community Rail Cumbria has been successful in raising over £300,000 through funding bids, in addition to financial support from business, for projects to connect the community and local railway and deliver community benefit. Its activities over the past year have included school and college art projects, flower planters at stations, supporting local station adoption groups and contributing to strategic planning.

32 PUBLIC PARTICIPATION

There were no public participation items at this meeting.
33 CHANGE OF NAME OF CABINET PROCUREMENT WORKING GROUP

Ms I Puzio, Monitoring Officer, introduced the report, explaining the reasons for the proposals. She highlighted that the change of name has been proposed to reflect more explicitly the strengthened focus of the working group on commissioning, as part of a stronger focus on commissioning across the Council.

Mr Young, the Chair, explained that the existing terms of reference are clear in including commissioning, and the proposed new title, while being a technical change, more correctly reflects the role of the working group.

Having considered the report Cabinet

RESOLVED, that the name of the Cabinet Procurement Working Group be amended to the Commissioning and Procurement Working Group.

34 CUMBRIA COUNTY COUNCIL - HEALTH AND SAFETY POLICY STATEMENT

Mr Donnini, Corporate Director – Economy and Highways introduced the report, explaining the reasons for the proposals. He highlighted that the Council is a safe organisation which has seen a slight reduction in the number of reported incidents from the previous year. Verbal abuse of staff, slips and trips and handling incidents were the most predominantly reported. He drew attention to the action log in the Appendix to the report which reflects a commitment to embed a health and safety culture, with full attendance at training across the Council.

Mrs Willis, Cabinet Member for Customers, Transformation and Fire and Rescue, highlighted that the Council is not simply monitoring the number of incidents but is also learning. An example of this is the approach taken to lone workers. She highlighted that reported incidence is low compared with the size of the workforce.

The Chair referred to Item 9 on the Agenda (the Time to Change Pledge) and emphasised the need to ensure a joined-up approach, which took account of key areas of stress, mental health and wellbeing.

Having considered and discussed the report, Cabinet

RESOLVED, to
(1) approve the updated 2017 Health and Safety Policy Statement as appended.

(2) approve the Draft 2016/17 Annual Health and Safety Report as appended and authorise officers to publish the report.

35 TIME TO CHANGE PLEDGE

Mrs Brenda Smith, Corporate Director – Health, Care and Communities introduced the report, highlighting that Time to Change is a national partnership aimed at tackling the stigma associated with poor mental health. Employers were asked to sign the Time to Change Pledge on World Mental Health Day on 10 October 2017 to raise awareness of mental health in the workplace and the need for a supportive and understanding response.

The Leader had signed the Pledge on 10 October, following consideration by the Health and Wellbeing Board. The Council will now receive support from the Time to Change Partnership to develop an action plan.

Members were agreed on the importance of the Pledge and welcomed and supported the Deputy Leader for his courage in having recently spoken publicly about his own experience of poor mental health.

The Deputy Leader thanked members and welcomed the Leader having signed the Pledge on behalf of the Council. He thanked Mike Conefrey, a Locality Manager in Public Health for raising and promoting the Pledge in the Council.

The Chair joined Cabinet in offering full support to the Deputy Leader’s decision to speak publicly and included the Leader of the Opposition, Mr Airey, who was in attendance. He referred to the time limited nature of the funding available and in particular the £10,000 Champions Fund. He requested that the information about the Champions Fund be circulated to all members.

Members welcomed the idea of having Mental Wellbeing Champions at Local Committee Level and asked for advice from the Monitoring Officer on how this could be achieved.

The Chair summed up the discussion, reminding members that the purpose of the Pledge is to raise awareness and encourage thinking. Talking about mental wellbeing is a good first step. He advised members that it had been agreed by the Health and Wellbeing Board that all
partners would take the Pledge back to their own organisations. He also saw a role for the Health and Wellbeing Board in conducting its Joint Strategic Needs Assessment to consider how needs can be addressed.

Having considered and discussed the issue Cabinet

**RESOLVED** to note the report.

### 36 AWARD OF CONTRACT – CONSTRUCTION OF A NEW SPECIAL EDUCATION NEEDS SCHOOL IN ULVERSTON

Mr Dominic Donnini, Corporate Director – Economy and Highways guided members through the report, explaining the reasons for the recommendations.

He confirmed that the current building does not meet modern requirements and that funding had been included in the capital programme.

Mr Southward, Cabinet Member for Economic Development and Property supported the recommendations.

Having considered and discussed the report, Cabinet

**RESOLVED, to**

1. approve the award of the detailed design, planning and cost plan phase of the design and build contract to Seddon Construction Ltd, for the construction of a new 80 place Special School for a price of £8.007m with an additional £0.25m contingency.

2. to delegate, on satisfactory completion of the above preliminary phase, the award to Seddon Construction Ltd of the construction element of the contract to the Corporate Director Economy and Highways, in consultation with the portfolio holders for Schools and Learning and Economic Development and Property.

The meeting ended at 10.40 am
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COUNTY COUNCIL

Meeting date: 16 November 2017

From: Deputy Leader

TREASURY MANAGEMENT HALF YEAR STRATEGY REVIEW 2017/18

PART A - RECOMMENDATION OF CABINET MEMBER

1.0 EXECUTIVE SUMMARY

1.1 This report details treasury management activities during the first half of the 2017/18 financial year. It highlights performance and activities which confirm all Treasury Management activities undertaken during the period were in compliance with the Annual Strategy agreed by Members at Council in February 2017.

1.2 There has been a review of the Treasury Management Strategy and following which no amendments are required.

1.3 The report outlines the implementation of European regulations to be enacted from January 2018 and the action taken to ensure the Council can continue to make investments in accordance with the Council’s approved Treasury Management Strategy.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 Underpinning the Council’s stated priorities is an aim of being as effective and efficient as possible. Policies and practices that enable the management of the Council’s Treasury Management function to be operated in such a manner support the overall objectives and priorities of the Council.

3.0 RECOMMENDATION

3.1 Council is recommended to:

3.1.1 note that following a half yearly review, no amendments are required to the Treasury Management Strategy Statement and the Annual Investment Strategy;
3.1.2 note that following a half yearly review Prudential Indicators and Treasury Management Indicators have been fully complied with and that no amendments are required to these indicators;

3.1.3 note the Treasury Management function is forecasting a £3.0m underspend after the first quarter of 2017/18 due to the expectation that no internal borrowing will be externalised during the year, albeit that this will be kept under review given various uncertainties, including interest rate movements and day-day cash flow requirements etc.

PART B – ADVICE OF ASSISTANT DIRECTOR – FINANCE (SECTION 151 OFFICER)

4.0 BACKGROUND

4.1 Purpose of the Treasury Management Half Yearly Report

4.1.1 As detailed in Part 12B (Financial Standing Orders) of the Council’s Constitution the Council has adopted the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2011). The primary requirements of the Code include:

- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead (this was last confirmed by Full Council on 16th February 2017);

- a Mid-year Review Report (this report). This includes an update on the economy as at 30th September 2017 as set out in Appendix 1; and

- an Annual Report (stewardship report) covering activities during the previous year (the Annual Report for 2016/17 was approved by Council on 29th June 2017 and the Annual Report for 2017/18 is due to be presented to Council in June 2018).

4.1.2 The Council operates a balanced budget, which in broad terms means cash raised during the year will meet its cash expenditure. Part of the treasury management operation ensure this cash flow is adequately planned, with short term surplus cash and working capital being invested in low risk counterparties, providing adequate liquidity firstly before considering any higher risk optimising of investment return.

4.1.3 The second main function of treasury management is the longer term financing of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning ensures the Council can meet its capital spending operations. This management of longer term capital may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
4.2 Treasury Management Activity - mid-year position 2017/18

4.2.1 The balances as at 30th September 2017 are as follows:

Table 4.1 – External borrowing and investments

<table>
<thead>
<tr>
<th></th>
<th>Principal (as at 30 Sept ‘17) £m</th>
<th>Average Interest Rate %</th>
<th>Average Life Years</th>
<th>Principal (as at 31 Mar ‘17) £m</th>
<th>Average Interest Rate %</th>
<th>Average Life Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total External Borrowing</td>
<td>287.2</td>
<td>4.52</td>
<td>23.3</td>
<td>294.7</td>
<td>4.49</td>
<td>23.2</td>
</tr>
<tr>
<td>Total Investments</td>
<td>106.4</td>
<td>0.52</td>
<td>&lt; 1 year</td>
<td>177.5</td>
<td>0.62</td>
<td>&lt; 1 year</td>
</tr>
<tr>
<td>Net Debt</td>
<td>180.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2 – External & Internal borrowing and the Capital Financing Requirement (CFR)

<table>
<thead>
<tr>
<th></th>
<th>Forecast 31/03/2018 £m</th>
<th>Actual 31/03/2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Financing Requirement</td>
<td>398.7</td>
<td>383.5</td>
</tr>
<tr>
<td>External Borrowing</td>
<td>287.2</td>
<td>294.7</td>
</tr>
<tr>
<td>Internal Borrowing</td>
<td>111.5</td>
<td>88.8</td>
</tr>
</tbody>
</table>

**Borrowing**

4.2.2 External borrowing has decreased from £294.7m as at 31st March 2017 to £287.2m as at 30th September 2017 due to £7.5m of external borrowing reaching maturity and being repaid in June 2017. In line with the Council’s policy to continue with internal borrowing in the short to medium term this has not yet been replaced with external borrowing. No new external borrowing was undertaken during the 6 months to 30th September 2017.

4.2.3 No further external borrowing is scheduled to mature in 2017/18. Details of debt maturity and interest rates are presented in Appendix 2.

4.2.4 As at 30th September 2017, the Council’s estimated capital financing requirement (CFR) for 2017/18 is £398.7m (excluding PFI and other long term liabilities). This increase of £15.2m from the CFR as at 31st March 2017 (£383.5m) reflects funding decisions made by Council on the Capital Programme.

4.2.5 The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from temporary internal cash balances (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions and the level of cash balances.

4.2.6 The strategy agreed by Council in February 2017 was to continue to delay external borrowing for the short to medium term subject to the following criteria:
• Cash balances remaining at levels prudent to support this strategy;

• The “cost of carry” (difference between investment and borrowing interest rates) remaining within cost efficient limits; and

• The level of funding from borrowing that is agreed to finance future capital programmes.

4.2.7 The Treasury Management budget assumed that there would be some externalisation of debt in the current year. However, given uncertainties over interest rate projections, after consideration of these criteria it has been concluded that internal borrowing continues to be a prudent and cost effective approach given the current economic climate and the forecast cash balances to the end of 2017/18. No change is therefore proposed to this strategy in this mid year review. The benefits from delaying borrowing to the year end has been reflected in the Q1 budget monitoring forecast (see section 4.7).

4.2.8 The estimated level of internal borrowing as at 31st March 2018, assuming no external borrowing is undertaken before then, is £111.5m which is approximately 28.0% of the projected borrowing requirement.

4.2.9 In undertaking these Treasury Management activities, the Assistant Director – Finance (S151 Officer) confirms that there have been no breaches of the approved limits relating to borrowing within the Prudential and Treasury Management indicators during the first six months of 2017/18 (for details of the indicators see section 4.6 of this report).

4.2.10 No debt rescheduling was undertaken during the first six months of 2017/18.

Investment Portfolio 2017/18

4.2.11 In accordance with the Code, it is the Council’s priority to ensure security of capital and liquidity, and then to obtain an appropriate level of return which is consistent with the Council’s risk appetite. The Bank of England reduced base rates to 0.25% in August 2016 reducing the Council’s ability to generate return on investments. This rate was raised to 0.5% in November 2017 which may provide the opportunity to generate additional returns should new investments be taken out in the latter half of 2017/18. However, given the current economic environment, investment returns are likely to remain low for the immediate future.

4.2.12 The Council’s investments reduced from £177.5m at 31st March 2017 to £106.4m at 30th September 2017 (Appendix 3). This reduction in investments is due to a number of factors. This includes the Council paying its 2017-2020 deficit recovery local government pension contributions in full in April 2017. Additionally in April 2017 the Council paid an estimate for the 2017/18 future pension contribution, of which £11.0m relates to the second half of 2017/18. These upfront payments of the Local Government Pension Scheme employer pension contributions enabled the Council to take a discount for early payment which has benefited the Council’s Revenue Budget and was assumed within the 2017/18 Base Budget. Payments for
capital works including flood recovery work have also contributed to the 
reduction in the Council’s level of cash deposits/investments in the first half 
of 2017/18. In addition, the Council repaid external borrowing of £7.5m. 
Accordingly, reductions in cash balances of the Council were expected over 
the year.

4.2.13 The investment portfolio yield for the first six months of the year was 
0.53%, exceeding the benchmark return of 0.18% (3 month LIBID).

4.2.14 The Assistant Director - Finance is able to confirm that the approved limits 
within both the Annual Investment Strategy and the Prudential and 
Treasury Management Indicators (as detailed in Appendix 4 to this report) 
were not breached during the first six months of 2017/18.

4.3 **Markets in Financial Instruments Directive (MiFID II)**

4.3.1 From 3rd January 2018, the Markets in Financial Instrument Directive 
2014/65 (MiFID II) will become enforceable across all European Economic 
Area (EEA) member states. MiFID II has implications for the Council as the 
Administering Authority of the Cumbria Local Government Pension Scheme 
and in respect of its Treasury Management functions. Pension Committee 
members will be familiar with this Directive.

4.3.2 Currently the Council is treated as a “per-se professional client” by financial 
institutions for the purpose of providing financial services.

4.3.3 Following the introduction of MiFID II, financial institutions will no longer be 
able to categorise a local authority as a per se professional client. Instead, 
all local authorities must be classified as a ‘retail client’ unless they are 
‘opted up’ by firms to an ‘elective professional client’ status.

4.3.4 Retail clients are afforded the most regulatory protection. Professional 
clients are considered to be more experienced, knowledgeable and 
sophisticated and able to assess their own risk. As such, professional clients 
are afforded fewer regulatory protections.

4.3.5 A move to retail client status would mean that financial institutions including 
banks, brokers, advisers and fund managers will have to treat local 
authorities in the same way as they would for non-professional individuals 
and small businesses. That includes providing a raft of protections ensuring 
that investment products are suitable for the customer’s needs, and that all 
the risks and features have been fully explained.

4.3.6 Such protections would result in the Council not being able to access the 
investment opportunities that it currently uses to implement Treasury 
Management Strategy as approved annually by Council.

4.3.7 MiFID II allows for retail clients which meet certain conditions to elect to be 
treated as an “elective professional client” through an ‘opt-up’ process. 
There are two tests which must be met by the client when being assessed 
by the financial institution - the quantitative and the qualitative test.
4.3.8 The qualitative assessment requires the firm to undertake an adequate assessment of the expertise, experience and knowledge of the client to give reasonable assurance, in the light of the nature of transactions or services envisaged, that the client is capable of making its own investment decisions and understanding the risks involved.

4.3.9 In assessing the client’s expertise, experience and knowledge, the client must satisfy the following quantitative criteria:

- the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds £10m and
- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters; or
- the client works or has worked in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

4.3.10 The Council meets all three of the criteria required for this quantitative test and is also able to provide evidence as to its ability to meet the requirements of the qualitative test.

4.3.11 The election to professional status must be completed individually with all financial institutions prior to the change of status on 3rd January 2018. Failure to do so would result in the financial institution having to take ‘appropriate action’ which could include a termination of the relationship and a significant financial risk to the Council.

4.3.12 The Council’s external Treasury Management Advisors, Link Asset Services (formerly Capita Asset Services) have advised that, in order to continue to effectively implement the Council’s Treasury Management Strategy after 3rd January 2018, the Council should request to be opted up to elective professional client status with those financial institutions with whom the Council currently has a per-se professional client status.

4.3.13 In compliance with Part 5G Section 16.4 of the Constitution, which delegates Treasury Management decisions to the Assistant Director – Finance (s151 Officer) and following the advice of the Council’s external Treasury Management advisers, the Assistant Director – Finance (S151 Officer) has submitted the application to be treated as an elective professional client with the relevant financial institutions.

4.3.14 In addition to the opt-up process for Treasury Management, there is a separate opt-up process for LGPS Pension Funds. Applications for elective professional status for Pension Fund investments have been considered and approved by the Cumbria LGPS Pensions Committee.
4.4 Review of the Treasury Management Strategy Statement and Annual Investment Strategy 2017/18

4.4.1 The Treasury Management Strategy Statement (TMSS) details the anticipated value and rates at which borrowing may be undertaken to finance current and future capital spend. The main objectives of the strategy being to manage risk effectively while minimising long term borrowing costs.

4.4.2 The primary focus of the Annual Investment Strategy (AIS) is to provide security of cash invested within a low level of agreed risk whilst also trying to achieve a return in excess of the benchmark. It incorporates the Council’s Investment Strategy, its Creditworthiness policy, and its country, group and sector limits for cash investment purposes.

4.4.3 The TMSS and the Annual Investment Strategy for 2017/18 were approved by Council on 16th February 2017 and, in line with best practice, are revisited as part of the mid-year review.

4.4.4 In considering the institutions it chooses to deposit or lend with (counter parties), the Council uses a creditworthiness service provided by its advisers. This was set out in the Annual Investment Strategy approved by Council in February 2017 (Council Budget report – Item 8 Appendix E). This is a sophisticated modelling approach utilising credit ratings from the three main rating agencies Fitch, Moody’s, and Standard and Poor’s. This analysis is then supplemented with market data and other market information.

4.4.5 The investment strategy approach of the Council has not changed, as we will continue to invest with counter parties with strong credit ratings in strong credit rated countries (and continue with limits to duration and maximum level of deposits).

4.4.6 The investment portfolio at 30th September is shown in Appendix 3. Since the base rate cut in August 2016 and subsequent drop in rates offered for all periods of deposit, ways to safely maintain a reasonable average interest rate earned continue to be sought. The average rate achieved in the first half year has decreased slightly (from 0.58% in 2016/17) to 0.53%, as new deposits at lower rates took effect on the average. Following this half yearly review, it is recommended that no changes are required to the Treasury Management Strategy Statement and Annual Investment Strategy.

4.5 Review of Compliance with Prudential Indicators and Treasury Management Indicators for 2017/18

4.5.1 Appendix 4 sets out the approved Prudential Indicators and Treasury Management Indicators for 2017/18 together with actual data as at 30th September 2017.

4.5.2 As set out in this appendix, all activities in the six months to 30th September 2017 have been conducted within the limits agreed by Council in February 2017 and updated in June 2017.
4.5.3 Following this half yearly review it is recommended that no amendments are required to the Prudential Indicators and Treasury Management Indicators.

4.6 Review of Performance against Treasury Management Budget

4.6.1 In February 2017, Council approved the Revenue Budget 2017/18 and Medium Term Financial Plan (2017-2020) and Draft Capital Programme (2017-2022). Within this report it was noted that it was expected that some externalisation of borrowing would occur in 2017/18.

4.6.2 The Q1 Budget Monitoring Report presented to Cabinet in September forecast an underspend on the Treasury Management budget of £3.000m.

4.6.3 This reported saving is due to:

- No new external borrowing has been taken in 2017/18 to date and it is expected that no internal borrowing will be externalised for the rest of the year releasing savings of £2.427m. This is consistent with the past years strategy to utilise internal reserves whilst available rather than externalise borrowing that has already been agreed by Council;

- Slippage on the capital programme at the end of 2016/17 resulting in a delay in the requirement to charge an element of MRP in 2017/18 releasing further efficiencies of £0.608m;

- Income received from investments is currently forecast to be £0.230m less than the 2017/18 budget due to the low interest rates currently available and cash balances being lower for reasons identified above in 4.2.12

- Other various items have a further net saving of £0.195m.

4.6.4 All of these underspends are one-off savings relating to 2017/18 only.

5.0 OPTIONS

5.1 Members can consider the report and either:

- Accept the recommendations as set out in Section 3 of this report; or
- Request additional information from the Assistant Director – Finance (Section 151 Officer).

5.2 Members can either:

- note that in opting-up to elective professional client status under MiFID II, the Council foregoes the protections available to retail clients; or
- not opt-up to elective professional client classification, noting that this would limit the investment income available to the Council.
6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 The strategy for deferring external borrowing and changes to capital financing decisions have contributed to a forecast underspend on the net interest budget of £3.000m as at 30th June 2017. This has been achieved to date without significantly affecting the stability of cash balances and with no additional risks to the Council.

6.2 As at 30th September 2017, the Council held investments with a range of financial institutions valued at £106.4m and had external borrowing of £287.2m. All investments and borrowing has been undertaken in accordance with the Council’s approved Treasury Management Strategy.

6.3 To continue to meet the requirements set out with the Treasury Management Strategy it is considered that the Council is required to opt up to professional status following the implementation of MiFID II regulations from 3rd January 2018.

7.0 LEGAL IMPLICATIONS

7.1 The Treasury Management Statement, Annual Investment Strategy Prudential Indicators and Minimum Revenue Provision Policy Statement and any amendments thereto are reserved to full Council.

8.0 CONCLUSION

8.1 All Treasury Management activities in the six months to 30th September 2017 have been conducted in accordance with the Treasury Strategy 2017/18 and within the Treasury and Prudential limits agreed by Council in February 2017.

8.2 Internal borrowing continues to be a prudent and cost effective risk based approach in the current economic climate therefore no change is proposed to this strategy, however the position will continue to be closely monitored by Officers in conjunction with the Council’s Advisors.

8.3 The mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy approved by Council in February 2017 has concluded that these remain appropriate.

Julie Crellin
Assistant Director – Finance (s151 Officer)

16th November 2017

APPENDICES
Appendix 1 - Economic Update
Appendix 2 - Borrowing as at 30th September 2017
Appendix 3 - Investment Portfolio as at 30th September 2017
Appendix 4 - The Council’s Prudential Indicators and Treasury Management Indicators Half Year Update 2017/18

Electoral Division(s):  *

Executive Decision  No*
Key Decision  No*

If a Key Decision, is the proposal published in the current Forward Plan?  N/A*
Is the decision exempt from call-in on grounds of urgency?  No*
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?  N/A*

Has this matter been considered by Overview and Scrutiny?  No*
Has an environmental or sustainability impact assessment been undertaken?  N/A*
Has an equality impact assessment been undertaken?  N/A*

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
Revenue Budget - Treasury Management Strategy Statement (February 2017 Item 8 - Appendix E) - County Council
Treasury Management Annual Report 2016/17 (June 2017 Item 10) – County Council

CONSIDERATION BY OVERVIEW AND SCRUTINY
Not considered by Overview and Scrutiny

BACKGROUND PAPERS
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police Authorities and Fire Authorities
CIPFA The Prudential Code for Capital Finance in Local Authorities
Protections provided to Retail Clients under MiFID II Regulations

RESPONSIBLE CABINET MEMBER

Ian Stewart
Deputy Leader of the Council and Cabinet Member for Finance
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APPENDIX 1 - ECONOMIC UPDATE

1.0 ECONOMIC PERFORMANCE TO DATE AND OUTLOOK

1.1 For the UK economy, quarter 1 growth was +0.3% (+1.7% year on year) and quarter 2 was +0.3% (+1.5% year on year). As such, growth in the first half of 2017 was the slowest for the first half of a year since 2012. The main reason for this has been the increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been some encouraging statistics from the manufacturing sector which is seeing growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, the UK’s main trading partner, has improved over the last year.

1.2 The Monetary Policy Committee (MPC) meeting in September 2017 took a noted a warning that the Bank Rate would be expected to rise. The Bank of England Inflation Reports during 2017 have flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years’ time. Inflation actually came in at 2.9% in August. The Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in globalisation pressures in the UK, and so would be inflationary over the next few years.

1.3 The MPC took the decision in November 2017 to increase the Bank Rate from 0.25% to 0.50%. The MPC will subsequently be required to consider if this would be a one off increase or if further increases in the Bank Rate would be appropriate. While there is much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is too early for economists to be confident as to how the economy will progress in the next two years.

2.0 INTEREST RATE FORECAST

2.1 The Council’s treasury advisor, Link Asset Services (formerly Capita Asset Services), are in the process of amending the forecast to reflect the rise in the base rate to 0.50% announced in November.
**APPENDIX 2 - BORROWING**

Long term borrowing (Debt Portfolio) at 30th September 2017

**Maturity Profile:**

Key: Dark colour = Market Loans (LOBO’s), medium colour = Public Works Loans Board (PWLB)

Note: Lender Option Borrower Options (LOBOs) are long term ‘market loans’ (i.e. a loan from a bank for a fixed period repaid at maturity). The interest rate in the initial periods of these loans are at a discount to the market rate. The lender has the option to change the terms, at which point the Council has the option to repay the loan early.
Debt portfolio detail:

<table>
<thead>
<tr>
<th>Lender</th>
<th>Original Loan Start Date</th>
<th>Maturity Date</th>
<th>Principal</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>P W L B</td>
<td>23-Dec-09</td>
<td>23-Jun-18</td>
<td>7,500,000</td>
<td>3.77</td>
</tr>
<tr>
<td>P W L B</td>
<td>27-Aug-10</td>
<td>27-Aug-19</td>
<td>15,000,000</td>
<td>2.90</td>
</tr>
<tr>
<td>FMSWERTM</td>
<td>28-Jun-99</td>
<td>18-Oct-19</td>
<td>1,000,000</td>
<td>7.13</td>
</tr>
<tr>
<td>P W L B</td>
<td>23-Dec-09</td>
<td>23-Jun-20</td>
<td>7,500,000</td>
<td>4.06</td>
</tr>
<tr>
<td>P W L B</td>
<td>04-May-95</td>
<td>15-Nov-22</td>
<td>5,000,000</td>
<td>8.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>24-Dec-97</td>
<td>15-May-23</td>
<td>5,700,000</td>
<td>6.25</td>
</tr>
<tr>
<td>P W L B</td>
<td>04-May-95</td>
<td>15-Nov-23</td>
<td>5,000,000</td>
<td>8.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>24-Sep-98</td>
<td>15-May-24</td>
<td>9,500,000</td>
<td>5.00</td>
</tr>
<tr>
<td>P W L B</td>
<td>04-May-95</td>
<td>15-Nov-24</td>
<td>5,000,000</td>
<td>8.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>14-Nov-01</td>
<td>14-Nov-25</td>
<td>3,000,000</td>
<td>4.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>29-May-03</td>
<td>15-Nov-25</td>
<td>5,000,000</td>
<td>4.45</td>
</tr>
<tr>
<td>P W L B</td>
<td>14-Nov-01</td>
<td>13-Nov-26</td>
<td>14,000,000</td>
<td>4.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>27-Aug-10</td>
<td>27-Aug-33</td>
<td>15,000,000</td>
<td>3.92</td>
</tr>
<tr>
<td>P W L B</td>
<td>20-Dec-04</td>
<td>15-May-34</td>
<td>16,000,000</td>
<td>4.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>19-May-05</td>
<td>15-May-35</td>
<td>14,000,000</td>
<td>4.50</td>
</tr>
<tr>
<td>P W L B</td>
<td>10-Dec-07</td>
<td>15-Nov-37</td>
<td>10,000,000</td>
<td>4.49</td>
</tr>
<tr>
<td>FMSWERTM</td>
<td>25-Jan-02</td>
<td>27-Jan-42</td>
<td>13,000,000</td>
<td>4.73</td>
</tr>
<tr>
<td>FMSWERTM</td>
<td>31-Jan-03</td>
<td>30-Jan-43</td>
<td>11,000,000</td>
<td>4.45</td>
</tr>
<tr>
<td>P W L B</td>
<td>25-Jan-07</td>
<td>15-May-52</td>
<td>25,000,000</td>
<td>4.25</td>
</tr>
<tr>
<td>P W L B</td>
<td>25-Jan-07</td>
<td>15-May-53</td>
<td>25,000,000</td>
<td>4.25</td>
</tr>
<tr>
<td>P W L B</td>
<td>25-Jan-07</td>
<td>15-May-54</td>
<td>25,000,000</td>
<td>4.25</td>
</tr>
<tr>
<td>P W L B</td>
<td>25-Jan-07</td>
<td>14-May-55</td>
<td>25,000,000</td>
<td>4.25</td>
</tr>
<tr>
<td>P W L B</td>
<td>08-Mar-07</td>
<td>15-May-56</td>
<td>25,000,000</td>
<td>4.25</td>
</tr>
</tbody>
</table>

The FMSWERTM borrowing above relates to market loans with FMS Wertmanagement Bank Germany. Initially taken from Depfa Bank Plc (Dublin) and subsequently transferred by the lender to FMS.
PWLB Borrowing rates:
APPENDIX 3 - INVESTMENT PORTFOLIO AS AT 30 SEPTEMBER 2017

The Council’s investment portfolio and average deposit rate as at 30th September 2017 is shown below. The Council’s investment strategy is to first provide security and adequate liquidity, before considering optimising investment return. The aim is for an appropriate balance of instant access, short-term investments (paying lower rates) and longer, three to twelve month deposits (earning higher rates). The Council is committed to this policy but it must be acknowledged that it lowers the potential interest rate available.

Investment Portfolio as at 30 September 2017

<table>
<thead>
<tr>
<th>Credit Limit Group / Counterparty</th>
<th>Country</th>
<th>Credit Rating</th>
<th>Deposit Type</th>
<th>Start Date</th>
<th>Maturity Date</th>
<th>Interest Rate (%)</th>
<th>Principal (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOCAL AUTHORITY (20% MAX, UP TO 2 YRS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NORTHUMBERLAND COUNTY COUNCIL</td>
<td>UK</td>
<td>Term Deposit</td>
<td>04/11/2016</td>
<td>02/11/2018</td>
<td>0.55</td>
<td>10,000,000</td>
<td></td>
</tr>
<tr>
<td>YELL (20m MAX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STANDARD LIFE INV LIQUIDITY FUND</td>
<td>UK</td>
<td>AAA</td>
<td>MMF*</td>
<td></td>
<td></td>
<td>0.21</td>
<td>7,000,000</td>
</tr>
<tr>
<td>FEDERATED LIQUIDITY MMF</td>
<td>UK</td>
<td>AAA</td>
<td>MMF*</td>
<td></td>
<td></td>
<td>0.21</td>
<td>7,500,000</td>
</tr>
<tr>
<td>BNP PARIBAS MMF - INSTICASH</td>
<td>UK</td>
<td>AAA</td>
<td>MMF*</td>
<td></td>
<td></td>
<td>0.21</td>
<td>7,900,000</td>
</tr>
<tr>
<td>FUND</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PINK (20m MAX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STANDARD LIFE SHORT DURATION</td>
<td>UK</td>
<td>AA</td>
<td>M5F</td>
<td></td>
<td></td>
<td>0.55</td>
<td>2,000,000</td>
</tr>
<tr>
<td>FUND</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROYAL LONDON CASH PLUS FUND</td>
<td>UK</td>
<td>M5F</td>
<td></td>
<td></td>
<td></td>
<td>0.48</td>
<td>5,000,000</td>
</tr>
<tr>
<td>BLUE (£25m MAX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROYAL BANK OF SCOTLAND</td>
<td>UK</td>
<td>BBB+</td>
<td>Term Deposit</td>
<td>02/02/2017</td>
<td>01/02/2018</td>
<td>0.65</td>
<td>10,000,000</td>
</tr>
<tr>
<td>ORANGE (£20m MAX, UP TO 1 YR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QATAR NATIONAL BANK</td>
<td>QATAR</td>
<td>A+</td>
<td>Term Deposit</td>
<td>26/05/2017</td>
<td>25/05/2018</td>
<td>0.80</td>
<td>10,000,000</td>
</tr>
<tr>
<td>COMMONWEALTH BK AUSTRALIA</td>
<td>AUSTRALIA</td>
<td>AA</td>
<td>Term Deposit</td>
<td>30/06/2017</td>
<td>22/12/2017</td>
<td>0.35</td>
<td>10,000,000</td>
</tr>
<tr>
<td>LANCESBANK HESSEN-THURINGEN</td>
<td>GERMANY</td>
<td>A+</td>
<td>Term Deposit</td>
<td>14/11/2016</td>
<td>13/11/2017</td>
<td>0.66</td>
<td>10,000,000</td>
</tr>
<tr>
<td>QATAR NATIONAL BANK</td>
<td>QATAR</td>
<td>A+</td>
<td>Term Deposit</td>
<td>03/02/2017</td>
<td>02/02/2018</td>
<td>0.86</td>
<td>7,000,000</td>
</tr>
<tr>
<td>RED (£15m MAX, UP TO 6 MTHS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BARCLAYS BANK</td>
<td>UK</td>
<td>A</td>
<td>95 Day Notice</td>
<td>18/05/2015</td>
<td>30/10/2017</td>
<td>0.24</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Goldman Sachs Internat Bank</td>
<td>UK</td>
<td>A</td>
<td>Term Deposit</td>
<td>03/08/2017</td>
<td>02/02/2018</td>
<td>0.58</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Goldman Sachs Internat Bank</td>
<td>UK</td>
<td>A</td>
<td>Term Deposit</td>
<td>20/04/2017</td>
<td>20/10/2017</td>
<td>0.715</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

*Money Market Fund (instant access) Average Rate and Total Investments 0.50 106,400,000

The average level of funds available for investment purposes, over the last 6 months was £131.7m (highest balance £183.9m, lowest balance £91.9m). These funds were available on a temporary basis, and the level of funds available is mainly dependent on the timing of council tax receipts, precept payments, receipt of grants and progress on the Capital Programme.

Investment Returns achieved in the half year period are noted in the table below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Benchmark Return – 3 month LIBID</th>
<th>Average Rate of Return</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months to 30/09/2017</td>
<td>0.18</td>
<td>0.53</td>
<td>+ 0.35</td>
</tr>
</tbody>
</table>
As illustrated, the Council outperformed the benchmark by 35bps. The Council’s budgeted investment income for 2017/18 is £0.647m. The Q1 budget monitoring report indicates that a shortfall of £0.230m is expected in 2017/18 due to reducing cash balances during the year.
# Appendix 4 – The Council’s Prudential Indicators and Treasury Management Indicators Half Year Update 2017/18

<table>
<thead>
<tr>
<th>PRUDENTIAL INDICATORS – Affordability</th>
<th>2017/18 Original Estimate</th>
<th>2017/18 Revised Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Affordable - Impact of Capital Investment decisions taken: Incremental cost to council tax, band D.</td>
<td>£.pp</td>
<td>£.pp</td>
</tr>
<tr>
<td></td>
<td>11.14</td>
<td>10.72</td>
</tr>
</tbody>
</table>

This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2016/17 based on a Band D property in line with the proposed Council Tax level.

|  | £m | £m |
|--------------------------|--------------------------|
| **2** Estimate of proposed capital expenditure | 163.868 | 164.598 |
| **2** Estimate of proposed capital expenditure to be funded by prudential borrowing | 26.928 | 25.929 |

The original and forecast capital expenditure (as included within the Q1 Monitoring report) and amount of capital expenditure to be funded by prudential borrowing for 2016/17.

|  | £m | £m |
|--------------------------|--------------------------|
| **3** Capital Financing requirement (CFR) excluding PFI & other long term liabilities– the borrowing need | 410.34 | 398.67 |
| **3** Capital Financing requirement (CFR) including PFI & other long term liabilities– the borrowing need | 526.94 | 515.29 |

The Capital financing requirement indicator is a measure of the Council’s underlying need to borrow for a capital purposes.

|  | % | % |
|--------------------------|--------------------------|
| **4a** Ratio of Finance costs to Net Revenue Stream exclusive of PPPI | 6.62 | 6.62 |
| **4b** Ratio of Finance costs to Net Revenue Stream Inclusive of PPPI | 10.68 | 10.68 |

This indicator shows the proportion of income received from grant and Council Tax that is spent on paying for the consequences of borrowing to fund capital borrowings.

<table>
<thead>
<tr>
<th>PRUDENTIAL INDICATORS - Prudence</th>
<th>2017/18 Approved Limit</th>
<th>2017/18 revised proposed limits</th>
<th>2017/18 Forecast Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>5</strong> Authorised limit for external debt Borrowing</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Other Long term Liabilities</td>
<td>452</td>
<td>no change</td>
<td>287</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>no change</td>
<td>118</td>
</tr>
<tr>
<td></td>
<td>587</td>
<td>no change</td>
<td>405</td>
</tr>
</tbody>
</table>
This is the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit (Legal Limit) determined under section 3 (1) of the Local Government Act 2003.

<table>
<thead>
<tr>
<th>Operational Boundary for external debt</th>
<th>2017/18 Approved Limit £m</th>
<th>2017/18 revised proposed limits £m</th>
<th>2017/18 Forecast Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>427</td>
<td>no change</td>
<td>287</td>
</tr>
<tr>
<td>Other Long term Liabilities</td>
<td>125</td>
<td>no change</td>
<td>118</td>
</tr>
<tr>
<td>Total</td>
<td>552</td>
<td>no change</td>
<td>405</td>
</tr>
</tbody>
</table>

The Operational Boundary is based on the Council’s prudent estimate of the maximum level of external debt. It is only a guide and may be breached temporarily on occasion without significant concern, due to variations in cash flow and/or interest rates. Any sustained or regular trend above the operational boundary will be investigated and action taken as appropriate.

<table>
<thead>
<tr>
<th>Upper Limit on Net Sums Borrowed</th>
<th>2017/18 Approved Limit £m</th>
<th>2017/18 revised proposed limits £m</th>
<th>2017/18 Forecast Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed interest rates</td>
<td>427</td>
<td>no change</td>
<td>262</td>
</tr>
<tr>
<td>Variable interest rates</td>
<td>100</td>
<td>no change</td>
<td>(71) *</td>
</tr>
</tbody>
</table>

* Net borrowing is negative as variable investments (£96m) exceed variable borrowing (£25m). All investments maturing within one year are classed as variable.

The purpose of this indicator is to contain the Council’s exposure to unfavourable movements in future interest rates. The indicators are expressed as Fixed Rate Debt less Fixed Rate Investments and Variable Rate Debt less Variable Rate Investments. The Council defines variable rate as including those instruments maturing within each year, as the replacement of those instruments will be subject to prevailing rates of interest.

<table>
<thead>
<tr>
<th>Upper limit for total principal sums invested for over 364 days (per maturity date)</th>
<th>Lower of £20m or 20% of the portfolio at any time during the financial year (Actual £10m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower of £20m or 20% of the portfolio at any time during the financial year (Actual £10m)</td>
</tr>
<tr>
<td></td>
<td>Lower of £20m or 20% of the portfolio at any time during the financial year (Actual £10m)</td>
</tr>
</tbody>
</table>

The purpose of this indicator is to ensure that the Council has protected itself against the risk of loss arising from the need to seek early redemption of principal sums invested. Only core cash will be invested for periods greater than 1 year.

<table>
<thead>
<tr>
<th>Maturity Structure of fixed interest rate borrowing 2016/17</th>
<th>Upper</th>
<th>Lower</th>
<th>Actual 30/09/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>30%</td>
<td>0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>12 months to 2 years</td>
<td>40%</td>
<td>0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>2 years to 5 years</td>
<td>40%</td>
<td>0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>5 years to 10 years</td>
<td>40%</td>
<td>0%</td>
<td>6.4%</td>
</tr>
<tr>
<td>10 years and above</td>
<td>100%</td>
<td>30%</td>
<td>92.7%</td>
</tr>
</tbody>
</table>

The maturity of borrowing is determined by the earliest date on which the lender can require payment. The indicator is designed to exercise control over the Council having large concentrations of fixed rate debt needing to be replaced at any one time.

**Treasury Management Code of Practice** Under the Prudential Code the Council is obliged to adopt the “CIPFA Code of Practice for Treasury Management in the Public Sector”. The Council formally adopted the code in 1993. The latest revision of the Code, in 2011, was adopted by the Council in February 2012.
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MEMBERS ALLOWANCES SCHEME 2018-2019

ADVICE OF CORPORATE DIRECTOR

1.0 EXECUTIVE SUMMARY

1.1 All Councils are required annually to make a scheme for the payment of basic and other specified allowances to elected members. This report seeks approval for a scheme for the financial year 2018-2019.

1.2 Before making a scheme the Council must have regard to the recommendations of its independent remuneration panel.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 It is a statutory requirement that the Council makes a scheme annually for the payment of allowances to members.

3.0 RECOMMENDATION

3.1 The Council is recommended to consider the report of the Independent Remuneration Panel and make a scheme for members’ allowances for the year beginning 1 April 2018.

The options available to members are set out in paragraph 5.

3.2 The Council is asked to note that the Constitution will be updated as necessary to reflect the Members Allowances Schemes made by the Council.

4.0 BACKGROUND

4.1 The Local Authorities (Members Allowances) (England) Regulations 2003 require all councils to annually “make a scheme” for the payment of basic and other specified allowances to elected members. The Scheme should be made prior to the start of the financial year but can be amended at any time during the year.
4.2 The Regulations also require local authorities to establish an independent remuneration panel to review and make recommendations on a scheme of allowances to be paid to members and others. In making a scheme, the Council must have regard to the recommendations of its panel.

4.3 The Independent Remuneration Panel has conducted a review of the Council’s current Scheme of allowances in place for members of Cumbria County Council. Its proposals are set out in Appendix 1 of its report, “Recommendations for Councillors’ Remuneration for the Financial Year 2018/19.”

4.4 Following consideration of the members allowances scheme by the Council in September 2016, the Independent Remuneration Panel was asked to consider, as part its review in 2017, the possibility of only fully reviewing the Scheme once every four years and in intervening years making annual adjustments to members’ allowances with reference to an index.

4.5 The Panel has recommended that it does not consider an index for up to four years appropriate. The Panel’s reasons are set out in its report.

4.6 The Panel has recommended indexation for a period of one year (2019-2020), with the appropriate index being the National Joint Council for Local Government Services annual pay agreement for local government employees.

4.7 With regard to the remainder of the members’ allowances scheme the Independent Remuneration Panel has recommended:

**Basic Allowance**
Increase up to £8,405 (1%).

**Special Responsibility Allowances**
Leader of the Council – up to £25,500 per annum (2%)
Deputy Leader – up to £14,280 per annum (2%)
Cabinet Members – up to £10,200 per annum (2%)
Chair of Scrutiny Management Board – up to £10,200 per annum (2%)
All other SRAs to increase by 1%.

**Dependent Carers Allowance** – no change in current arrangements.

**Travel and Subsistence Allowances** – no change, these are to remain in line with HM Revenue and Customs approved rates for tax allowance purposes and will be updated to reflect any change in the HM Revenue and Customs approved rates from the date of application.

**Co-optee Allowances** – up to £6,955 (1%) (Chair of Workington Harbour Board).

The Panel recommends that these amounts should take effect from the Annual meeting in 2018. Members will note that in 2018 the annual meeting will take place in April 2018.
4.8 The Panel’s analysis and recommendations are contained in Section 9 of its report. The full report of the Independent Remuneration Panel is appended to this report as Appendix 1.


5.0 OPTIONS

5.1 The Council must have regard to the recommendations of its Independent Remuneration Panel. Having regard to the recommendations of the Panel, the Council has the following options:

a) Make a scheme in the same terms as the Scheme approved by Council on 7 September 2016, to take effect on 1 April 2018.

b) Make a scheme in accordance with the recommendations of the Independent Remuneration Panel.

c) Make an alternative scheme of basic and other allowances.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 The budget for 2017/18 for Members Allowances and support is £1.118m. The projected increase will be contained within this overall budget.

6.2 The Scheme of Members Allowances currently in place costs £0.945m per annum representing 0.25% of the Total County Council Budget.

6.3 The Scheme of Members Allowances now recommended by the Independent Remuneration Panel (effective from 1 April 2018) will cost £0.955m per annum which is a slight increase on the current scheme (£0.011m). Travel and subsistence costs are excluded from these figures but the budget includes a projected £0.128m in respect of travel and subsistence allowances, these will remain in line with HM Revenue and Customs approved rates.

7.0 LEGAL IMPLICATIONS

7.1 The Local Authorities (Members Allowances) (England) Regulations 2003 require all councils to annually “make a scheme” for the payment of basic and other specified allowances to elected members.

7.2 In making a scheme for members’ allowances, the Council must have regard to the recommendations of the Independent Remuneration Panel.

7.3 The Council has the discretion to determine not to accept all or any of the final recommendations, provided it has had regard to them in making its decision.
7.4 The Council must publish a notice in one or more newspapers circulating in its area containing specified information about the scheme it has made and must make copies of the scheme available to the public on request.

8.0 **CONCLUSION**

8.1 The Council’s Independent Remuneration Panel has undertaken a review of the current scheme of members’ allowances and has made a number of recommendations for consideration by the Council. The Council must have regard to the report of the Independent Remuneration Panel in making its scheme for the payment of members’ allowances.

**Dawn Roberts**  
Corporate Director – Resources and Transformation

*16 October 2017*

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**APPENDICES**

*Appendix 1 – Recommendations for Councillors’ Remuneration for the Financial Year 2018/19 (September 2017)*

Electoral Division(s): All

- Executive Decision
- Key Decision
  - If a Key Decision, is the proposal published in the current Forward Plan? N/A
  - Is the decision exempt from call-in on grounds of urgency? N/A
  - If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? N/A
  - Has this matter been considered by Overview and Scrutiny? N/A
  - Has an environmental or sustainability impact assessment been undertaken? N/A
  - Has an equality impact assessment been undertaken? No
PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
County Council 7 September 2017- Members Allowances Scheme

CONSIDERATION BY OVERVIEW AND SCRUTINY
Not considered by Overview and Scrutiny

BACKGROUND PAPERS
No background papers

RESPONSIBLE CABINET MEMBER
The Leader of the Council
The Deputy Leader of the Council

REPORT AUTHOR
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Group Solicitor/Manager
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Telephone: 07976 062123
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Report To: Cumbria County Council
From: The Independent Remuneration Panel

Recommendations for Councillors' Remuneration
for the Financial Year 2018/19

Date: September 2017
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<td>30</td>
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</tbody>
</table>
SUMMARY OF RECOMMENDATIONS

In accordance with its responsibilities under the Local Authorities (Members Allowances) (England) Regulations 2003, the Independent Remuneration Panel has reviewed the current scheme of allowances in place for members of Cumbria County Council and makes the following recommendations with effect from the Council Annual Meeting in May 2018.

Basic Allowance
Increase up to £8,405 (1%) recommended (see paragraph 4)

Special Responsibility Allowances
Leader of the Council – up to £25,500 per annum (2%)
Deputy Leader – up to £14,280 per annum (2%)
Cabinet Members – up to £10,200 per annum (2%)
Chair of Scrutiny Management Board – up to £10,200 per annum (2%)
All other SRAs to increase by 1% (see paragraph 5.3).

Dependent Carers Allowance – no change in current arrangements (see paragraph 6).

Travel and Subsistence Allowances – no change (see paragraph 7).

Co-optee Allowances – up to £6,955 (1%) (Chair of Workington Harbour Board) (see paragraph 8).

Indexation of Allowances – indexation in line with NJC award for employees for 2019/20 only (see paragraph 9).

Availability of IRP Reports - the Council should comply fully with the statutory requirements and in addition should publish an appropriate notice in each of the newspapers serving Cumbria in the interests of openness and transparency (see paragraph 11).

Overall Financial Implications

In a full year the costs of the scheme will increase by circa £11,000.
1. PANEL REMIT

1.1 The Cumbria County Council (CCC), Independent Remuneration Panel (the Panel) was established in accordance with Local Authorities (Members’ Allowances) (England) Regulations 2003.

1.2 A local authority is required to establish and maintain an Independent Remuneration Panel to provide it with recommendations on a scheme of allowances to be paid to members and others. The authority must have regard to the recommendations of its Panel before it makes or amends its members’ allowance scheme.

1.3 The allowances payable under a local authority scheme of allowances are as follows:

- **Basic Allowance** (*Each local authority must make provision in its scheme of allowances for a basic, flat rate allowance payable to all members of the authority which must be the same for each member*).

- **Special Responsibility Allowance** (*Each authority may also make provision for payment of special responsibility allowances for those councillors who have significant responsibilities eg leader of the council, member of the executive/cabinet, presiding at meetings of committees, acting as spokesperson for a political group*).

- **Dependents’ Carers’ Allowance** (*Each authority may also provide for the payment of a dependents’ carers’ allowance to those councillors who incur expenditure for the care of children or other dependents whilst undertaking particular duties*).

- **Travelling and Subsistence Allowance** (*Each authority may also provide for the payment of a travelling and subsistence allowance to its members, including co-opted members*).

- **Co-optees’ Allowance** (*Each authority may also provide an allowance to any co-opted and appointed members of a council’s committees or sub committees*).

1.4 The Panel can also make recommendations to the local authority on the backdating of allowances and annual adjustments to allowance levels. The Regulations also set out the circumstances in which allowances can be withheld from members. The Scheme provides that any Councillor may forgo all or part of any allowance to which they are entitled.

2. PANEL MEMBERSHIP

2.1 The Panel comprises a minimum of three and a maximum of six members. There are currently five members on the panel (one vacancy) all of whom were appointed following a public recruitment process. The members and their terms of office are as follows:
2.2 Mary Dowling is a human resources professional with experience as a Director of Human Resources in the NHS. She has also been a non-executive director of an NHS Trust and is now Chair of a Clinical Commissioning Group. She was appointed to the Panel for a four-year period originally expiring on 30 September 2017 and later extended to 31 March 2018.

2.3 Len Gleed is a retired human resources manager with extensive experience of remuneration practice in both the private and public sector. He was appointed to the Panel for a four-year period originally expiring on 30 September 2017 and later extended to 31 March 2018.

2.4 Daniel Hartley is a senior human resources manager specialising in reward at BAE Systems Submarines, Barrow-in Furness. He was appointed initially for a four-year period in 2011 expiring in November 2015 and subsequently extended to 31 March 2018.

2.5 John Lyons (Chairman) is a retired senior manager at AXA Insurance, UK plc. He was appointed to the Panel for a four-year period originally expiring on 30 September 2017 and later extended to 31 March 2018. John has previously served as Chair of South Lakeland District Council’s Independent Remuneration Panel and South Lakeland Leisure Trust.

2.6 Janice Wilson is a human resources professional specialising in learning and development and having extensive experience of remuneration practice in both the public and private sector. She was appointed to the Panel for a four-year period originally expiring on 30 September 2017 and later extended to 31 March 2018.

3. APPROACH OF THE PANEL 2018/19

3.1 Panel Recommendation to the Council for the Financial Year 2016/17

The Panel’s 2016/17 recommendations to Council were considered at the Council meeting on 7 September 2016. The Panel recommended increases in some Special Responsibility Allowances with effect from 1 August 2016 and no change in the Basic Allowance. The Council resolved that:

(i) the Council’s appreciation be placed on record for the Panel’s diligence in undertaking a thorough and detailed review of the Members’ Allowance Scheme.

(ii) the Council agrees that the Members’ Allowance Scheme for the period 1 August 2016 to 31 March 2017 will remain unchanged and the scheme currently in place will therefore continue.

(iii) the Council agrees to make a Members Allowance Scheme for the Financial year 2017/18 in the following terms

(a) from 1 April 2017 until 7 May 2017 inclusive, there shall be no change to Members’ Allowances;
(b) with effect from 8 May 2017, the scheme shall be amended in line with the recommendation by the Independent Remuneration Panel in its report dated July 2016, the detail of which is set out at page 25 of the agenda;

(iv) the Constitution be amended to reflect these changes accordingly.

http://councilportal.cumbria.gov.uk/documents/g8782/Public%20reports%20pack%2010th-Nov-2016%20County%20Council.pdf?T=10

The Council amended and published its Members' Allowance Scheme accordingly with effect from 8 May 2017. The Basic Allowance for 2017/18 was set at £8,322 and the following table summarises the Special Responsibility Allowances (SRAs) in effect from 8 May 2017.

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Amounts wef 8 May 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the County Council</td>
<td>£5,217</td>
</tr>
<tr>
<td>Vice-Chairman of the Council</td>
<td>£1,974</td>
</tr>
<tr>
<td>Leader of the Council</td>
<td>£25,000</td>
</tr>
<tr>
<td>Deputy Leader</td>
<td>£14,000</td>
</tr>
<tr>
<td>Cabinet Members</td>
<td>£10,000</td>
</tr>
<tr>
<td>Chairman of Scrutiny Management Board</td>
<td>£10,000</td>
</tr>
<tr>
<td>Chair of Overview and Scrutiny Advisory Boards (3)</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Health Scrutiny Committee</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Local Committee (6)</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Audit and Assurance Committee</td>
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<td>Chair of Development Control and Regulation Committee</td>
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<tr>
<td>*Leader of the Largest Qualifying Opposition Group</td>
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</tr>
<tr>
<td>*Leader of the Second Largest Qualifying Opposition Group</td>
<td>£5,217</td>
</tr>
</tbody>
</table>

*A qualifying opposition group is one with a minimum of 8 members, ie 10% of the total number of members on the Council

3.2 As the Council has determined that the current allowance scheme will exist until May 2018, this report from the Panel makes recommendations for members' allowances for 2018/19 in accordance with the following requests from the Council:

(a) To consider and make recommendations to the Council for a scheme of Members' Allowances from 1 April 2018.
(b) To consider as part of the overall options looked at the possibility of only fully reviewing the Scheme once every 4 years and in the intervening years making annual adjustments to members allowance by reference to an index.

3.3 **Context**

3.3.1 This review of the scheme of Members’ Allowances has taken place against a background of “an extremely challenging time in Cumbria” (Council Plan 2016-19 page 4). Ongoing reductions in the revenue support grant from government mean that the Council must continue to make significant change to what it does and how it does it in order to achieve a further £76m of savings over the next three years. It has already reduced its workforce from 10,000 employees in 2010 (excluding schools) to just under 6,500 in 2016. Significant challenges posed by meeting the needs of an ageing population and community recovery from the devastating floods of December 2015 remain but the reported £25.1bn potential investment coming into the county over the next decade (to boost jobs and infrastructure), may help tackle some of the challenges (Council Plan 2016-19).

3.4 **Methodology and Commentary**

3.4.1 In approaching its review of the Scheme of Member Allowances 2018/19, the Panel used a methodology similar to that adopted for its previous reports. It conducted in-depth discussions with councillors and officers (Appendix 4) to address the key themes it identified for this review. The Panel thanks them for their assistance and for sharing their views and ideas. The Panel also reviewed the movement in allowances for the peer group of councils and considered the economic and earnings outlook nationally and for Cumbria.

3.4.2 The Panel decided not to undertake further public consultation for this review as the Member Allowance framework remains largely unchanged and the responses gained from the consultation exercise conducted in 2015 are unlikely to have altered significantly. The Panel invited serving councillors to make representations to it about any aspect of Member Allowances. A few councillors provided views on a range of issues and the Panel thanks them for their input.

3.4.3 Since 2014/15 the Panel has recommended a number of changes designed to streamline and update the Members’ Allowance Scheme to reflect the responsibilities of councillors at all levels and has recommended what it considers to be appropriate levels of remuneration to Council. The Council decided not to implement the Panel’s proposed increase in allowances for 2014/15. For 2015/16 it decided not to implement the Panel’s proposals for a 2.2% increase in the Basic Allowance and increased SRAs for the Leader, Deputy Leader and Cabinet, and chose instead a 1% increase across the board. For 2016/17 the Council decided to accept the Panel’s proposals but delayed their implementation until 2017/18, and left the Scheme unchanged. For 2017/18 the Scheme was amended in line with the Panel’s recommendations for 2016/17.
3.4.4 After this, its fourth and final review, the Panel is strongly of the view that a unified approach to Councillor remuneration across Cumbria would be beneficial. The Panel appreciates that without significant changes in the structure of local government in Cumbria, the possibility of such an approach is unlikely in the short term. The current structure (with one county and six district councils, hundreds of councillors, some serving on more than one council, and a variety of approaches to councillor remuneration) constrains a radical overhaul of member allowances across the County. The Panel requests the Council to keep this proposal in mind as opportunities for improved local government organisation arise in the future.

3.5 Principles underpinning an allowance scheme

The Panel has reviewed the principles underpinning an Allowance Scheme which it set out in its 2014/15 Report (section 4.4) http://councilportal.cumbria.gov.uk/documents/g7922/Public%20reports%20pack%2019th-Jun-2014%2010.00%20County%20Council.pdf?T=10 and subsequent Reports and remains satisfied that they are still relevant and appropriate for 2018/19.

4. BASIC ALLOWANCE

4.1 Current Arrangements

All 84 Councillors receive a basic allowance of £8,322 per annum. This allowance has been in effect since 1 August 2015. In accordance with the Regulations, this allowance is intended to recognise the time commitment of members including inevitable calls on their time such as meetings with officers and constituents. It is also intended to cover incidental costs such as the use of members’ homes.

4.2 Review

4.2.1 The Panel considered whether a further increase in the rate of the basic allowance was justified against the criteria it used in its previous reports. In its last Report, the Panel concluded that a further increase of 1% in the basic allowance could be justified from 1 August 2016, but it considered that it was more appropriate, in the Council’s tough financial climate, to devote the available funding to increasing the allowances of those councillors who undertake significant additional responsibilities.

4.2.2 The Panel also noted:

- In comparison with the peer group of councils, the basic allowance in Cumbria continues to be below the average for the group;
- The National Joint Council for Local Government Services agreed increases of 1% in the pay of local government staff with effect from 1 April 2016 and 1 April 2017 respectively;
The Labour Market Outlook Report for summer 2017 published by the Chartered Institute of Personnel and Development indicates that employed median basic pay increase expectations in the 12 months to June 2018 is 1%. Median basic pay increase expectations are higher in the private sector (2%) than in the public (1%) and voluntary sectors (1.4%).

The currently available Annual Survey of Hours and Earnings produced by the Office for National Statistics indicates that for 2016 the median annual gross pay for full-time workers resident in Cumbria was £26,991 pa.

4.2.3 The Basic Allowance has not been increased since 1 August 2015. The evidence before the Panel indicated that a further increase of 1.5% to 2% is warranted in line with pay increases generally since 2015. In view of the ongoing challenges facing the Council, the continued public sector pay restraint and the cost of even a modest uplift in the basic allowance for 84 councillors, however, the Panel concluded than an increase of 1% in the Basic Allowance for 2018/19 be recommended to the Council.

4.3 Recommendation
That the basic allowance for 2018/19 be increased by 1% (from £8,322 to £8,405 per annum).

5. SPECIAL RESPONSIBILITY ALLOWANCES (SRAs)

5.1 Current Arrangements
The range of SRAs with effect from 8 May 2017 is as follows:

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Amount per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the County Council</td>
<td>£5,217</td>
</tr>
<tr>
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</tr>
<tr>
<td>Leader of the Second Largest Qualifying Opposition Group</td>
<td>£5,217</td>
</tr>
</tbody>
</table>

5.2 **Review**

5.2.1 SRAs are payable to Councillors who undertake significant additional responsibilities over and above those recognised by the basic allowance. The Panel has been careful to distinguish between ‘additional’ responsibilities which may arise for any councillor by virtue of their role and ‘significant’ additional responsibilities which require a level of time, commitment, expertise, accountability and/or leadership which is demonstrably beyond that required by the role of councillor. The Regulations specify that whilst additional responsibilities may be unique to particular members, “it may be that all or most members have some such responsibility to varying degrees. Such duties may not lead to a significant extra workload for any one particular member above another. These sorts of responsibilities should be recognised as a time commitment to council work which is acknowledged within the basic allowance and not responsibilities for which a special responsibility allowance is recommended” (paragraph 73, New Council Constitutions: Guidance on Regulation for Local Authority Allowances).

5.2.2 The Panel’s previous reports contain the rationale for these SRAs. The Panel is pleased that the Council has largely accepted its recommendations for levels of SRAs, albeit in different timescales to that recommended by the Panel. For this review, the Panel has assured itself that the range of SRAs now in place are still warranted by the levels of responsibility and workload of the various roles and that previous anomalies identified have been rectified (e.g. Chair of Pensions Committee) and SRAs no longer considered to meet the criteria have been removed (e.g. Chair of Staffing Committee). The Panel, is however, disappointed that the preparation of role profiles for Committees and Chairs has not been completed as anticipated in its last review. This has hindered the work of the Panel. The availability of these profiles would have assisted the Panel in this review by providing additional evidence that the SRAs recommended by the Panel for the Chair roles are justified. The Panel urges the Council to have these role profiles completed in time for the appointment of the new Independent Remuneration Panel.

5.2.3 **Leader, Deputy Leader, Cabinet Members & Chair of Scrutiny Management Board**

The Council’s chosen governance model is that of Strong Leader and Cabinet. Allowances for these roles are now at more realistic levels but are still at the lower end of SRAs for similar roles among the peer group of councils (Appendix 2). This is likely to remain the situation as the SRAs approved by the Council will be in place until May 2018 (paragraph 3.1 above). It is clear from the information presented to the Panel and the requirements of the Council’s Plan 2016-19 that this leadership group will continue to have major challenges to address on behalf of the people of
Cumbria. To avoid these SRAs falling further behind the peer group of Councils (repeating the situation inherited by the Panel in 2013), and to reflect the evidence on pay trends over the next couple of years (paragraph 4.2.2 above), the Panel considers that an increase of 2% in these SRAs is warranted with effect from the Council’s Annual General meeting in May 2018.

5.2.4 Other SRAs

Having reviewed all other SRAs, the Panel concluded that existing levels are appropriate given the responsibilities inherent in the remaining Chair roles and in the absence of representations that serious anomalies had arisen since the Panel’s last review. To reflect the evidence on pay trends over the next couple of years (paragraph 4.2.2 above), the Panel considers that an increase of 1% in these SRAs is warranted with effect from the Council’s Annual General meeting in May 2018.

5.2.5 Vice Chairs

The Council approved the Panel’s recommendation that SRAs for Vice Chairs of Committees be removed and this was effected from the Annual General meeting 2015. During this review, the Panel received representations that SRAs for Vice Chairs should be reconsidered. The Panel considered the evidence available to it and whilst it recognised that Vice Chairs can and do make an effective contribution to Committees, provide assistance to the Chair and gain useful ‘development’ experience in the role, it was not satisfied that these roles met the criteria for SRAs. The Panel’s consideration was not helped by the absence of specific role profiles for Vice Chairs. The Panel concluded that SRAs for Vice Chairs are not justified at this time.

5.3 Recommendations

5.3.1 The Panel recommends that the changes in SRAs set out in the table below should be effective from the Council’s Annual General meeting in May 2018.

<table>
<thead>
<tr>
<th>Allowance</th>
<th>Amount per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the County Council</td>
<td>Up to £5,269 (+1%)</td>
</tr>
<tr>
<td>Vice-Chairman of the County Council</td>
<td>Up to £1,994 (+1%)</td>
</tr>
<tr>
<td>Leader of the Council</td>
<td>Up to £25,500 (+2%)</td>
</tr>
<tr>
<td>Deputy Leader of the Council</td>
<td>Up to £14,280 (+2%)</td>
</tr>
<tr>
<td>Cabinet Members</td>
<td>Up to £10,200 (+2%)</td>
</tr>
<tr>
<td>Chair of Scrutiny Management Board</td>
<td>Up to £10,200 (+2%)</td>
</tr>
<tr>
<td>Chairs of Overview and Scrutiny Advisory Boards (3)</td>
<td>Up to £7,018 (+1%)</td>
</tr>
<tr>
<td>Chair of Health Scrutiny Committee</td>
<td>Up to £7,018 (+1%)</td>
</tr>
<tr>
<td>Chairs of Local Committees (6)</td>
<td>Up to £7,018 (+1%)</td>
</tr>
<tr>
<td>Chair of Audit and Assurance Committee</td>
<td>Up to £7,018 (+1%)</td>
</tr>
</tbody>
</table>
5.3.2 The Panel recommends that the Council should continue to adhere to the established conventions that no councillor should receive more than one SRA and that no more than 50% of elected members should receive an SRA.

5.3.3 The Panel strongly recommends that the outstanding profiles for roles in receipt of SRAs should be completed in time for the appointment of the new Independent Remuneration Panel.

6. DEPENDENTS’ CARERS’ ALLOWANCES

6.1 Current Arrangements
The current arrangements are as set out in the Panel’s 2014/15 report and updated in its 2016/17 Report. The relevant National Living Wage rate is currently £7.50 per hour.

6.2 Review
The Panel’s review of these allowances concludes that current arrangements are adequate and should continue unchanged.

6.3 Recommendation
The Panel recommends that the allowance should continue at the level of the National Living Wage (currently £7.50 per hour), with an annual maximum on claims of £1,500.

7. TRAVEL AND SUBSISTENCE ALLOWANCES

7.1 Current Arrangements
The Council continues to use the HMRC mileage rates. Subsistence rates have also been in place for some time.

7.2 Review
The Panel's review of these arrangement concluded that they are working effectively and do not require amendment.

7.3 Recommendation
The Panel recommends that no change be made to either mileage or subsistence rates.
8. **CO-OPTEE ALLOWANCES**

8.1 **Current Arrangements**

The current arrangements are as set out in the Panel’s 2015-16 Report.

8.2 **Review**

The Panel received no representations about the allowance paid to the Chair of the Workington Harbour Board which was increased by 1% following the Panel’s 2015-16 Report. In line with the Panel’s recommendation that a 1% increase should be applied to the Basic Allowance for councillors and a number of SRAs from May 2018, the Panel proposes that this allowance should be increased by 1% in 2018/19.

8.3 **Recommendation**

The Panel recommends a 1% increase in the current level of allowance for the Chair of Workington Harbour Board - £6,955 per annum from May 2018.

9. **REVIEW OF ALLOWANCE LEVELS**

9.1 **Current Arrangements**

The Regulations permit the Panel to recommend that allowances be adjusted annually in accordance with an index. If the Panel recommends an index, it may not run for more than four years before a further recommendation on it is sought from the Panel.

There is no index currently in place for the County Council Scheme; the last index recommended by a previous Panel expired in March 2012.

9.2 **Review**

9.2.1 The Panel did not recommend indexation in its previous reports preferring instead to review the allowance scheme on an annual basis. The approach was driven by the continuing uncertainty in Council finances and the need for it to reach optimum size and stability. In addition, the Panel did not wish to constrain a new Independent Remuneration Panel.

9.2.2 The Panel has again considered indexation in this review. It concluded that an index to run for four years after the recommendations in this review take effect (assuming Council approval) would not be appropriate as the Council is still in transition to its optimum state and such indexation would effectively mean that the scheme of allowances would not be fully reviewed for up to 5 years. Whilst an index would avoid the need for the Council to consider its scheme of allowances on an annual basis, it would also inhibit opportunities to address any anomalies that arise in allowances. The Panel’s view is that regular reviews of the scheme of allowances ensures that it is ‘fit for purpose’ and in tune with Council priorities.
9.2.3 Whilst an index for up to four years is not considered appropriate, the Panel recommends an index for one year – 2019/2020 – only, on the basis that the current review and recommendations provide for an appropriate scheme of allowances until May 2019. The Panel considers that the appropriate index is the National Joint Council for Local Government Services annual pay agreement for local government employees.

9.3 Recommendation

The Panel recommends an index for one year 2019/2020 only. The index is the National Joint Council for Local Government Services annual pay award for local government employees for that year.

10. COSTS OF RECOMMENDATIONS

10.1 In a full year the Scheme of Members’ Allowances now recommended would cost £955,340 representing 0.25% of the Council’s 2017/18 net service expenditure of £375.168m approved by Council in February 2017.

11. AVAILABILITY OF REPORT

11.1 The 2003 regulations place certain statutory duties on local authorities in connection with publicising the recommendations made by their independent remuneration panel, their scheme of allowances and actual allowances paid in any given year.

11.2 The Regulations relating to publicity are shown in Appendix 4. The Panel, despite requests to the Council, has not been able to verify that the appropriate notice has been published in respect of the Panel recommendations or scheme of allowances for any of the reports submitted in 2014, 2015 or 2016. However, the Panel notes that the actual allowances paid to members are shown on the Council’s website. Further, the Panel noted that:

(a) The Independent Panel report shown on the Council website is that of 2014 rather than the latest (2016);

(b) Trying to find reference to the IRP on the website is not easy (searching for Independent Remuneration Panel or IRP brings up the response “0 hits”). In the interests of openness and transparency, the Panel’s view is that the website needs to be redesigned so that searching for Independent Remuneration Panel or IRP would take the enquirer straight to the relevant section;

(c) The Regulations specify that local authorities are obliged to make available, on request, printed copies of IRP reports.

11.3 Recommendation

The Council should comply fully with the statutory requirements and in addition should publish an appropriate notice in each of the newspapers serving Cumbria in the interests of openness and transparency.
12. **ACKNOWLEDGEMENTS**

12.1 The Panel wishes to thank Lynn Harker, Senior Democratic Services Officer for her support during this review.
Appendix 1

Members’ Allowances Scheme

1 Introduction

1.1 The Cumbria County Council, in exercise of the powers conferred by the Local Authorities (Members’ Allowances) (England) Regulations 2003, hereby makes the following Scheme:

2 Members’ Allowances Scheme

2.1 This Scheme may be cited as the Cumbria County Council Members’ Allowances Scheme ‘(the Scheme’), and shall have effect from 1 April 2017.

2.2 In this Scheme:

“Member” means a member of the Cumbria County Council who is a councillor;

“year” means the 12 months ending with 31 March;


Basic Allowance

2.3 Subject to paragraphs 2.15–2.16 for each year a Basic Allowance of the amount specified in Part 1 of Schedule 1 to this Scheme shall be paid to each member.

Special Responsibility Allowance

2.4 For each year a Special Responsibility Allowance shall be paid to those members who hold the special responsibilities that are specified in Part 2 of Schedule 1 to this Scheme.

2.5 Subject to paragraphs 2.15–2.16 the amount of such allowance shall be the amount specified against that special responsibility in that Schedule.

2.6 No member shall receive more than one Special Responsibility Allowance. Where a member would qualify for more than one Special Responsibility Allowance then, subject to paragraphs, the member shall be paid the higher Special Responsibility Allowance.

2.7 Special Responsibility Allowances shall continue to be paid from the date of the four-yearly elections to the date of the annual meeting of the Council, unless the member concerned ceases to be a councillor.
Renunciation

2.8 A member may, by notice in writing given to the Assistant Director – Corporate Governance elect to forego any part of their entitlement to an allowance under this Scheme.

Part-year Entitlements

2.9 The provisions of this paragraph shall have effect to regulate the entitlements of a member to Basic and Special Responsibility Allowances where, in the course of a year, this Scheme is amended or that member becomes, or ceases to be, a councillor, or accepts or relinquishes a special responsibility in respect of which a Special Responsibility Allowance is payable.

2.10 If an amendment to this Scheme changes the amount to which a member is entitled by way of a Basic Allowance or a Special Responsibility Allowance, then in relation to each of the periods:

(a) beginning with the year and ending with the day before that on which the first amendment in that year takes effect; or

(b) beginning with the day on which an amendment takes effect and ending with the day before that on which the next amendment takes effect, or (if none) with the year,

the entitlement to such an allowance shall be to the payment of such part of the amount of the allowance under this Scheme as it has effect during the relevant period as bears to the whole the same proportion as the number of days in the period bears to the number of days in the year.

2.11 Where the term of office of a member begins or ends otherwise than at the beginning or end of a year, the entitlement of that member to a Basic Allowance shall be to the payment of such part of the Basic Allowance as bears to the whole the same proportion as the number of days during which their term of office subsists bears to the number of days in that year.

2.12 Where this Scheme is amended as mentioned in paragraph 2.9, and the term of office of a member does not subsist throughout the period mentioned in paragraph 2.9 (a), the entitlement of any such member to a Basic Allowance shall be to the payment of such part of the Basic Allowance referable to each such period (ascertained in accordance with that sub-paragraph) as bears to the whole the same proportion as the number of days during which their term of office subsists bears to the number of days in that period.

2.13 Where a member has, during part of, but not throughout, a year, such special responsibilities as entitle him or her to a Special Responsibility Allowance, that member’s entitlement shall be to payment of such part of that allowance as bears to the whole the same proportion as the number of days during which he has such special responsibilities bears to the number of days in that year.

2.14 Where this Scheme is amended as mentioned in paragraph 2.9, and a member has during part, but does not have throughout the whole, of any period mentioned in paragraph 2.9 (a) of that paragraph any such special responsibilities as entitle him or her to a Special Responsibility Allowance, that member’s entitlement shall be to payment of such part of the allowance referable to each such period (ascertained in
accordance with paragraph 2.9 (a) as bears to the whole the same proportion as the number of days in that period during which he or she has such special responsibilities bears to the number of days in that period.

**Payments and Withholding of Payments**

2.15 Payments shall be made on the last working day of each month, on the basis of 1/12 of Basic Allowance and, as applicable, of Special Responsibility Allowance.

2.16 Where a payment of 1/12 of the amount specified in this Scheme in respect of a Basic Allowance or a Special Responsibility Allowance would result in the member receiving more than the amount to which, by virtue of paragraphs 2.8 - 2.13, he or she is entitled, the payment shall be restricted to such amount as will ensure that no more is paid than the amount to which he or she is entitled.

**Payment of Pensions**

2.17 No provision is made under this Scheme for the payment of a pension to any member.

**Allowances to Co-optees**

2.18 With the exception of the position of Chair of the Workington Harbour Board, no provision is made under this Scheme for the payment of an annual allowance to any co-opted or appointed member who serves on any committee or sub-committee of the County Council. Such co-opted or appointed members shall, however, be entitled to claim travel expenses in connection with their attendance at officially convened meetings of any committee or sub-committee to which they have been appointed on the same basis as members under this Scheme. For the avoidance of doubt, “committee or sub-committee” shall include service on a Panel, Forum, Group or Appeals Panel or similar body.

**Dependents’ Carers’ Allowance**

2.19 A member shall be entitled to claim an allowance (“dependents’ carers’ allowance”) in respect of such expenses of arranging for the care of their children or dependents as are necessarily incurred in the performance of any of the approved duties set out in Schedule 2.

2.20 Dependent relatives shall include children aged 14 or under, elderly people or people with disabilities where there is medical or social work evidence that care is required. The amounts which may be claimed must reflect the sum incurred in employing an independent carer to enable a member to carry out the duties specified above and shall be subject to a maximum of £6.25 per hour and a limit of £1,250 per annum. A payment shall not be made if a member already receives a carers’ allowance.

2.21 All claims shall be accompanied by evidence that the amount claimed has been incurred in employing a carer. A carer may be any responsible adult who does not normally live with the member as part of that member’s family.
Travel Allowances

2.22 Travel allowances are payable to all members who necessarily incur expenditure in the performance of an approved duty. The mileage rates are the prevailing HM Revenue and Customs limits for tax allowance purposes. Currently these are as follows:

<table>
<thead>
<tr>
<th>Type of Vehicle</th>
<th>First 10,000 miles</th>
<th>Above 10,000 miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars and vans</td>
<td>45p per mile</td>
<td>25p per mile</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>24p per mile</td>
<td>24p per mile</td>
</tr>
<tr>
<td>Cycles</td>
<td>20p per mile</td>
<td>20p per mile</td>
</tr>
</tbody>
</table>

2.23 The above rates may be increased by a sum of 5.0p per mile for each official passenger up to a maximum of four passengers, to whom a travelling allowance would otherwise be payable.

Subsistence Allowances

2.24 Members shall be entitled to claim the following subsistence allowances for any duty approved by the County Council as set out in Schedule 2.

(a) **Day Allowance**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence from the usual place of residence, but not involving absence overnight</td>
<td>1p per day</td>
</tr>
</tbody>
</table>

(b) **Overnight Allowance**

For absence overnight from the usual place of residence for a continuous period of 24 hours the maximum sums which may be claimed for accommodation and the cost of meals on production of receipts for payment are as follows. Members may not claim the cost of alcoholic drinks.

<table>
<thead>
<tr>
<th>Location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>£140</td>
</tr>
<tr>
<td>Otherwise</td>
<td>£120</td>
</tr>
</tbody>
</table>

2.25 Where members attend a national or regional conference for which there is a nominated delegate hotel(s), members may claim the actual cost of stay at the hotel on production of a receipt for payment. Where they are not included in the overall cost members may also claim for meals (excluding alcoholic drinks) taken on production of receipts for payment up to a maximum amount of £30 for breakfast, lunch and dinner. Where members do not stay in the nominated delegate hotel the maximum amounts payable will be those set out under paragraph 2.23 (b) above.

2.26 Where members make their own arrangements for overnight accommodation and meals and are unable to produce receipts an allowance of one-half of the amounts set out under paragraph 2.24 (b) shall be payable.
2.27 The actual cost of main meals taken on a train (i.e. breakfast, lunch or dinner) while travelling to or from an approved duty outside the County of Cumbria will be reimbursed on production of a receipt within the limits specified below. Such allowances will not be paid, however, where refreshments are included in the cost of a rail ticket.

(a) £6.10 for breakfast for an absence of more than 4 hours before 11.00 am.
(b) £8.20 for lunch for an absence of more than 4 hours before 12 Noon and after 2.00 pm.
(c) £10.20 for dinner for an absence of more than 4 hours ending after 7.00 pm.

Submission of Claims

2.28 Claims under this scheme for the payment of travel and subsistence and carers’ allowances shall be submitted electronically on a monthly basis on a form prescribed for the purpose to the Assistant Director – Corporate Governance by the fourteenth day of the following month.

Membership of Other Local Authorities

2.29 Where a member is also a member of another local authority, that member may not receive allowances from more than one local authority in respect of the same duties.

Approved Duties

2.30 The schedule of approved County Council duties can be found at Schedule 2 of this Scheme. Members of the County Council may claim a Travel and Subsistence Allowance and/or Dependents Carers’ Allowances only in relation to these duties.
Schedule 1: Remuneration Allowances

Part 1

Basic Allowance
An amount of £8,322 for each year to each County Council member from 1 April 2017.

Part 2

Special Responsibility Allowances
The following are specified as special responsibilities in respect of which special responsibility allowances in the amounts set against them are payable to the County Council members holding those responsibilities:

<table>
<thead>
<tr>
<th>POSITION</th>
<th>1 APRIL 2017 TO 7 MAY 2017</th>
<th>ALLOWANCE WITH EFFECT FROM 8 MAY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the County Council</td>
<td>£5,217</td>
<td>£5,217</td>
</tr>
<tr>
<td>Vice-Chairman of the County Council</td>
<td>£1,974</td>
<td>£1,974</td>
</tr>
<tr>
<td>Leader of the Council</td>
<td>£23,166</td>
<td>£25,000</td>
</tr>
<tr>
<td>Deputy Leader of the Council</td>
<td>£12,743</td>
<td>£14,000</td>
</tr>
<tr>
<td>Cabinet Members</td>
<td>£8,686</td>
<td>£10,000</td>
</tr>
<tr>
<td>Chair of Scrutiny Management Board</td>
<td>£8,686</td>
<td>£10,000</td>
</tr>
<tr>
<td>Chairs of Overview and Scrutiny Advisory Boards (3)</td>
<td>£6,949</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Cumbria Health Scrutiny Committee</td>
<td>£6,949</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chairs of Local Committees (6)</td>
<td>£6,949</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Audit and Assurance Committee</td>
<td>£6,949</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Development Control and Regulation Committee</td>
<td>£6,949</td>
<td>£6,949</td>
</tr>
<tr>
<td>POSITION</td>
<td>CURRENT ALLOWANCE</td>
<td>ALLOWANCE WITH EFFECT FROM 8 MAY 2017</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Chair of Staffing Committee</td>
<td>£1,974</td>
<td>£1,974**</td>
</tr>
<tr>
<td>Chair of Cumbria Pensions Committee</td>
<td>£2,319</td>
<td>£6,949</td>
</tr>
<tr>
<td>Chair of Corporate Parenting Board</td>
<td>£1,974</td>
<td>£1,974**</td>
</tr>
<tr>
<td>Chair of Workington Harbour Board</td>
<td>£6,886</td>
<td>£6,886</td>
</tr>
<tr>
<td>Leader of the Largest Qualifying Opposition Group*</td>
<td>£12,166</td>
<td>£12,166</td>
</tr>
<tr>
<td>Leader of Second Largest Qualifying Opposition Group*</td>
<td>£5,217</td>
<td>£5,217</td>
</tr>
</tbody>
</table>

* A qualifying opposition group is one with a minimum of 8 members, i.e. 10% of the total number of members on the Council.

** The Allowance for the Chairs of the Staffing Committee and Corporate Parenting Board are discontinued from 18 May 2017.
Schedule 2: Approved County Council Duties

APPROVED DUTIES
FOR THE PURPOSES OF THE PAYMENT OF TRAVELLING AND SUBSISTENCE ALLOWANCES

1. Attendance by members at meetings of:
   - the County Council;
   - Cabinet, Cabinet Sub-Committees, Working Groups and Panels; and
   - Committees, Sub-Committees, Forums and Panels of the County Council, and Working Groups, Working Parties, Liaison and Advisory Committees established by the Council, a committee, sub-committee or panel of which the member is a member or is entitled to attend under the Articles of the Council’s Constitution and its rules of procedure.

   Including meetings authorised by any of the above for the purpose of:
   - inspecting sites or establishments in connection with the discharge of its functions, provided that, except for the Council and a main committee, a decision to visit a site or establishment outside the County shall be notified in advance to the Leader of the Council; and
   - formal or informal presentations or submissions about matters related to the functions and work of the Council.

2. Attendance at meetings of Joint Committees of the Council with one or more other authorities, and Joint Consultative Committees with Health Authorities.

3. Attendance at meetings of the Adoption Panel, and County Council Education Appeals Committees, and at meetings of Education Appeals Committees constituted by Voluntary Aided or Special Agreement Schools, by members who are on the Council’s panel list for that purpose.

4. Attendance at meetings of:
   - Governing Bodies of Universities and Colleges (or their successors);
   - National and Provincial Negotiating bodies;
   - Regional Arts and Sports Associations; and
   - Committees or sub-committees of such bodies.

5. Attendance at meetings between representatives of the County Council and representatives of other local authorities, Government Departments and other bodies/organisations or distinguished visitors, where the holding of, or attendance at, such meetings has been authorised by the Council or by a committee, sub-committee, forum or panel or, in cases of urgency, by the Assistant Director - Corporate Governance after consultation with the Leader of the Council.
6. Attendance at public meetings concerning a County Council service, where the holding of such meetings has been authorised by the Council or by the committee, sub-committee, forum or panel responsible for that service or, in cases of urgency, by the Assistant Director - Corporate Governance.

7. Attendance:
   (a) in pursuance of any standing order requiring a member or members to be present while tender documents are opened;
   (b) in connection with the discharge of any function of the County Council confirmed by or under any enactment and empowering or requiring the County Council to inspect or authorise the inspection of premises; and
   (c) in connection with arrangements made by the Council for the attendance of pupils at a school approved for the purposes of section 342 (Special Schools) of the Education Act 1996.

8. A member visiting:
   - a Corporate Director or their authorised representative on matters concerning the work of the County Council;
   - a project, site or establishment relating to the service of the County Council with a corporate director or their authorised representative.

9. Official duties undertaken by the Chairman and the Vice-Chairman of the Council or their substitutes; and official duties undertaken by the Chair and Vice-Chair of a committee, sub-committee, forum or panel, or their substitute, or by a member in receipt of a special responsibility allowance, provided the performance of the duty has the prior agreement of the Chairman of the Council.

10. Rota visits to County Council establishments authorised by a committee, sub-committee or panel insofar as not covered by paragraph 7(b) above.

11. Meetings of political groups, subject to:
   - the meetings being concerned with the discharge of the functions of the County Council;
   - the Group ensuring that members sign an attendance record and forwarding it to the Assistant Director - Corporate Governance together with the starting and finishing times of the meeting; and
   - the Group retaining a copy of the minutes of the meetings for production to the Council’s external auditor if required.

12. Visits by official Council delegations to the Council’s ‘twin authority’ Rheinisch-Bergischer Kreis, Germany.

13. Attendance at conferences and meetings to which section 175 of the Local Government Act 1972 applies, where such attendance has been approved in advance by:
   - the committee etc. concerned; or
   - in cases of urgency, by the Assistant Director - Corporate Governance.
14. Attendance at training events for members arranged or authorised by a committee or sub-committee, or arranged through the auspices of the Member Development Group or, in cases of urgency, approved by the Assistant Director - Corporate Governance.

15. Attendance by members at a ‘hospitality’ function, exhibition, open day at County Council premises or similar events authorised in advance as an approved duty for these purposes by the Council, a committee, sub-committee, forum or panel or, in cases of urgency, by the Assistant Director - Corporate Governance.

16. Attendance by up to four members appointed by the Corporate Director – Economy and Environment and the appropriate local member(s) if not amongst the appointees to represent the Council at official road opening ceremonies, public launches, and other similar events associated with highways and transportation.

17. Attendance at meetings of Town Councils, Parish Councils and Parish meetings within a member’s electoral division.

18. Attendance as the Council’s appointee/nominee at meetings of a variety of outside bodies as agreed by Council, Cabinet and Local Committees. In the event of any query contact the Democratic Services Manager:

For the avoidance of doubt:

(a) Performance of the above duties includes, where appropriate, performance by member representatives substituting for the appointed member representatives, and

(b) Attendance at such meetings includes meetings of committees, sub-committees or working parties of such bodies.
Summary of Comparative Information

### Appendix 2

**Comparison of Peer Group Local Authorities 2017**

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Basic Allowance £</th>
<th>Leader SRA £</th>
<th>Deputy Leader SRA £</th>
<th>Cabinet SRA £</th>
<th>No of Cllrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cornwall</td>
<td>13,910</td>
<td>25,734</td>
<td>19,300</td>
<td>18,014</td>
<td>123</td>
</tr>
<tr>
<td>Nottinghamshire</td>
<td>13,190</td>
<td>32,608</td>
<td>22,822</td>
<td>21,739</td>
<td>67</td>
</tr>
<tr>
<td>Derbyshire</td>
<td>10,371</td>
<td>34,369</td>
<td>27,414</td>
<td>20,599</td>
<td>64</td>
</tr>
<tr>
<td>Devon</td>
<td>10,970</td>
<td>25,000</td>
<td>20,000</td>
<td>16,455</td>
<td>62</td>
</tr>
<tr>
<td>Lancashire</td>
<td>10,466</td>
<td>29,886</td>
<td>20,920</td>
<td>16,437</td>
<td>84</td>
</tr>
<tr>
<td>Lincolnshire</td>
<td>10,425</td>
<td>33,031</td>
<td>21,677</td>
<td>18,580</td>
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<td><strong>19,371</strong></td>
<td><strong>15,796</strong></td>
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Source: Peer Group Local Authority Constitutions, as available at 8 September 2017

Source: Public Information as at June 2017
The Panel held discussions with the following:

Stewart Young – Leader of the Council/Leader of the Labour Group
Ian Stewart – Deputy Leader of the Council/Leader of the Liberal Democrat Group
James Airey – Leader of the Conservative Group
Katherine Fairclough – Chief Executive
Publicity

The 2003 Regulations place certain duties on local authorities in connection with publicising the recommendations made by their independent remuneration panel, their scheme of allowances and the actual allowances paid to members in any given year.

The Regulations require that as soon as reasonably practicable after receiving a report from their panel which sets out the panel’s recommendations, local authorities must ensure that copies of the report are available for inspection at their principal office at all reasonable hours. Local authorities must also, as soon as reasonably practicable after they receive the report publish a notice in at least one newspaper circulating in their area which:

- states that the authority have received recommendations from an independent panel about their scheme of allowances;
- states that copies of the report detailing the panel’s recommendations are available for inspection at their principal office at all reasonable hours;
- states the address of their principal office;
- describes the main features of the panel’s recommendations including the amounts of allowances the panel has recommended should be payable to elected members.

The 2003 Regulations also require that members of the public may take copies of the panel’s report on payment of such reasonable fee as the local authority may determine.

In respect of a local authority’s scheme of allowances the regulations require that as soon as reasonably practicable after determining a scheme of allowances, local authorities must ensure that copies of the scheme are available for inspection at their principal office at all reasonable hours. Local authorities must also, as soon as reasonably practicable after determining the scheme publish a notice in at least one newspaper circulating in their area which are:

- states that the authority has adopted a scheme of allowances and the period for which that scheme has effect;
- states that copies of the scheme are available for inspection at their principal office at all reasonable hours;
- states the address of their principal office
- describes the main features of the scheme including the amounts of allowances payable to elected members under the scheme;
- states that in determining the scheme the authority had regard to the recommendations of an independent remuneration panel
- describes the main features of the panel’s recommendations including the amounts of allowances the panel has recommended should be payable to their elected members;
- describes any responsibilities or duties in the scheme which would merit the payment of special responsibility allowance and travelling and subsistence allowance.
Local authorities must ensure that such a notice is published every 12 months even if the scheme has not been amended since the last notice.

The 2003 Regulations also require that members of the public may take copies of the scheme on payment of such reasonable fee as the local authority may determine.

The final publicity requirement in the regulations is that as soon as reasonably practicable after the end of a year to which a scheme relates, local authorities must make arrangements for the publication in their area of the total sum paid by it to each member in respect of basic, special responsibility, travelling and subsistence, co-optees' and dependants' carers' allowances.

All these publicity requirements are statutory minimum requirements. Local authorities should publicise more widely the report from their panel, their scheme of allowances and the sums paid to each member. This should include, where possible, publishing this information on their web site and in the council's own newspaper (where they have one). Local authorities may also wish to consider including in their notice some detail about the responsibilities of elected members and the duties and time commitment which the basic allowance is intended to remunerate.
Appendix 5

Background Bibliography

1. Many of the issues addressed by the Panel are referred to in “Councillors on the frontline” Communities and Local Government Committee - Sixth Report January 2013.
   http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/432/43202.htm
   And :
   Government Response to the House of Commons Communities and Local Government Select Committee Report: “Councillors on the frontline” Presented to Parliament by the Secretary of State for Communities and Local Government by Command of Her Majesty March 2013.

2. A methodology for fixing the basic allowance and using a ‘public sector discount’ has evolved and this has been codified by Dr Declan Hall of the School of Public Policy, University of Birmingham - see Councillors Commission report ‘Members Remuneration – Models, Issues, Incentives and Barriers’, Department of Communities and Local Government, December 2007.

   http://www.cumbriaobservatory.org.uk/elibrary/Content/Internet/536/675/4356/41094151055.pdf

COUNTY COUNCIL

Meeting date: 16 November 2017

From: Monitoring Officer – Senior Manager for Legal and Democratic Services

APPOINTMENT OF INDEPENDENT MEMBERS TO THE STANDARDS COMMITTEE

PART A - RECOMMENDATION OF CABINET

This report is not required to go to Cabinet and is a decision for Council.

PART B – ADVICE OF CORPORATE DIRECTOR

1.0 EXECUTIVE SUMMARY

1.1 There are currently two vacancies for independent members on the Standards Committee, the current post-holders terms of office having come to an end on 15 November 2017. Appointments need to be made to fill those vacancies to meet the requirements for two independent members set out in the Constitution.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 The proposals contribute to the delivery of the Council Plan objective to be a modern and efficient council, as the Standards Committee is an integral part of promoting and maintaining the high standards of member conduct.

2.2 There are no specific equality implications associated with the proposals.

3.0 RECOMMENDATION

3.1 To agree that Stephen Sim be appointed as independent member to the Standards Committee until 15 November 2021.

3.2 To agree that Stephen Sim be appointed as Chair of the Standards Committee until 15 November 2021.
4.0 **BACKGROUND**

4.1 The Localism Act 2011 removed the statutory requirement to have a Standards Committee. Instead, it placed a duty on the Council to have in place ‘arrangements under which allegations can be investigated, and arrangements under which decisions on allegations can be made.’

4.2 In order to fulfil that duty, in 2012, the Council agreed that a Standards Committee should be maintained with specific terms of reference. The terms of reference agreed required the Standards Committee to be constituted with five members and two independent members. It was also agreed that those two independent members ought to be chair and vice-chair of the meeting.

4.3 The Council’s adoption of a Standards Committee and the terms of reference for it were reviewed in 2015 by the Constitutional Review Group. Council, on the recommendation of that group, then approved amended terms of reference which meant that the Standards Committee would meet for its annual meeting, along with ad hoc meetings as required to perform its role of investigating member complaints and issuing dispensations. The need for two independent members was maintained.

4.4 The current appointments of both Mr Fryer and Mr Sim as the independent members have just come to an end, having been extended by one year by Council.

4.5 A recruitment process has been held with the vacancies being advertised on the Council’s website, in the local press throughout Cumbria and through direct contact with existing independent panel members.

4.6 A panel of members was set up to consider the applications, with a view to making recommendations to the Council for appointments. The Panel comprised Mr I Stewart, Mr K Hamilton and Mr L Fisher. The Panel was supported throughout the process by the Monitoring Officer and Deputy Monitoring Officer.

4.7 Following consideration of application forms, for candidates who had not already been interviewed to decide their suitability to sit as independent members, an interview was held on 27 October 2017. An application was received from the previous Vice Chair of the Committee, Mr Stephen Sim. A further interview for this candidate was not considered necessary.

4.8 Following interview the Monitoring Officer and members of the Council recommended that Stephen Sim be appointed as an independent member to the Standards Committee and for the vacant position of independent member to be re-advertised as the view of the panel was that there were no other suitable candidates.

5.0 **OPTIONS**

5.1 Council can agree to appoint Stephen Sim and re-advertise the remaining vacancy. There are no risks associated with this option. The Standards
Committee would be quorate and be able to continue to sit pending a further appointment.

5.2 Council can decide not to appoint Stephen Sim and re-advertise both posts. The risk associated with this option is that the Standards Committee will not be quorate until further appointments have been made and there may not be sufficient further applicants.

6.0 **RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

6.1 Travelling and subsistence expenses in respect of independent members will be met from the Member Support budget. The cost of advertising these positions will also be met from this budget. There are no other direct financial implications arising from this report.

7.0 **LEGAL IMPLICATIONS**

7.1 The Localism Act 2011 places a duty on the Council to have in place arrangements under which allegations can be investigated, and arrangements under which decisions on allegations can be made. The Council fulfils that duty, in part, by having a Standards Committee with independent members.

7.2 The Council’s Constitution requires that the Standards Committee has two independent members who sit as Chair and Vice-Chair.

8.0 **CONCLUSION**

8.1 There are two vacancies for independent members on the Standards Committee. A recruitment process has been followed and recommended the appointment of Stephen Sim as the only suitable candidate. This recommendation needs to be considered and agreed by Council to confirm the appointment.

Iolanda Puzio, Senior Manager for Legal and Democratic Services and Monitoring Officer

15 November 2017

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**APPENDICES**

*No Appendices*

Electoral Division(s): All
Executive Decision

Key Decision

If a Key Decision, is the proposal published in the current Forward Plan? N/A

Is the decision exempt from call-in on grounds of urgency? No

If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? N/A

Has this matter been considered by Overview and Scrutiny? No

Has an environmental or sustainability impact assessment been undertaken? No

Has an equality impact assessment been undertaken? N/A

N.B. If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and the Head of Member Services and Scrutiny has obtained the necessary approvals.

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

Council appointed Mr Fryer and Mr Sim on 15 November 2012 to the role of Independent Member for terms of four years.
Council extended their appointments for a further 12 months on 12 January 2016 (so that they expire on 15 November 2017).

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny

BACKGROUND PAPERS

No background papers

RESPONSIBLE CABINET MEMBER

N/A.

REPORT AUTHOR

Contact: Iolanda Puzio – Senior Manager for Legal and Democratic Services and Monitoring Officer
Phone: 07919 298368
e-mail: iolanda.puzio@cumbria.gov.uk
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REALLOCATION OF FUNCTIONS

ADVICE OF CORPORATE DIRECTOR

1.0 EXECUTIVE SUMMARY

1.1 In February 2017 Council approved the reallocation of certain functions in the officer Scheme of Delegation to the Assistant Director Finance until 31 January 2018, pending a review of staffing by the Chief Executive.

1.2 This report seeks Council’s approval to continue the arrangements until 30 September 2018.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 The recommendations in the report contribute to the delivery of the Council Plan objective to be a modern and efficient council by ensuring that appropriate arrangements are in place to discharge the functions of the Council.

2.2 There are no specific equality implications associated with the proposals in this report.

3.0 RECOMMENDATION

3.1 That Council approves the continuation of the allocation to the Assistant Director – Finance in the Scheme of Delegation, of authority to give approval under the Contract Procedure Rules in respect of specific matters, acting in accordance with the Contract Procedure Rules, until 30 September 2018.

4.0 BACKGROUND

4.1 In early 2016, following a review of the chief officer arrangements for the Council a new post of Corporate Director – Resources and Transformation was created, to which Dawn Roberts was appointed.
4.2 A decision was made not to fill the vacated post of Assistant Director – Corporate Governance to allow time for the Chief Executive to review the senior officer structure. In order to ensure that the business of Council could continue, the Chief Executive reassigned responsibilities among other remaining Assistant Directors.

4.3 Certain of these arrangements required a reallocation of functions delegated by the Council through the Scheme of Delegation to Officers in the Constitution.

4.4 The Chief Executive initially took the decision to reallocate the functions under delegated authority given to her by paragraph 6.1(j) of Part 3A of the Constitution. However, the Constitution states that any allocation of responsibility for more than 6 months must be reported to the Council as a change to the Scheme of Delegation.

4.5 The Council approved an extension to this reallocation of functions on 16 February 2017 as a change to the Scheme of Delegation until 31 January 2018.

4.6 The Chief Executive wishes the current reallocation of functions from the Assistant Director – Business Services to the Assistant Director – Finance to continue for a further period.

4.7 This report therefore asks Council to approve the continuation of the current arrangements until 30 September 2018.

5.0 OPTIONS

5.1 Option 1 – Council can approve the recommendations in this report which will ensure that all necessary functions are appropriately allocated and the business of the Council can continue to be delivered efficiently and lawfully.

5.2 Option 2 – Council could decide not to approve the recommendations in this report which would require officers to reconsider urgently appropriate arrangements.

6.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

6.1 This paper recommends that Council approves the continuation of the allocation to the Assistant Director – Finance in the Scheme of Delegation, of authority to give approval under the Contract Procedure Rules in respect of specific matters, acting in accordance with the Contract Procedure Rules, until 30 September 2018. In February 2017, the Council agreed to these arrangements, until 31 January 2018.

6.2 There is no specific resource or value for money implications; however should Council decide not to approve the recommendation, there is a risk that the Council I may not be able to deliver its business efficiently or lawfully.
7.0 **LEGAL IMPLICATIONS**

7.1 Changes to the Scheme of Delegation for a period exceeding 6 months require the approval of the Council. In this case, the Council is asked to approve a further temporary extension of the Scheme of Delegation in respect of the functions specified in the report.

8.0 **CONCLUSION**

8.1 Approval of the recommendations in this report will allow arrangements already in place to continue and therefore ensure the continued efficient and lawful delivery of Council business.

Iolanda Puzio  
Senior Manager Legal and Democratic Services/Monitoring Officer  
7 November 2017

**APPENDICES**

*No appendices*

Electoral Division(s): All

| Executive Decision |  
|--------------------|---
|                    | No |

| Key Decision |  
|--------------|---
|              | No |

| If a Key Decision, is the proposal published in the current Forward Plan? |  
|-----------------------------------------------------------------------|---
|                                                                       | N/A |

| Is the decision exempt from call-in on grounds of urgency? |  
|----------------------------------------------------------|---
|                                                          | N/A |

| If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? |  
|---------------------------------------------------------------------------------------------------------------------------------|---
|                                                                                                                                 | N/A |

| Has this matter been considered by Overview and Scrutiny? If so, give details below. |  
|-----------------------------------------------------------------------------------------------|---
|                                                                                                                                               | N/A |

| Has an environmental or sustainability impact assessment been undertaken? |  
|---------------------------------------------------------------------------|---
|                                                                             | N/A |

| Has an equality impact assessment been undertaken? |  
|---------------------------------------------------|---
|                                                   | N/A |
PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
Decision of the Council 16 February 2017

CONSIDERATION BY OVERVIEW AND SCRUTINY
Not considered by Overview and Scrutiny

BACKGROUND PAPERS
No background papers

RESPONSIBLE CABINET MEMBER
The Leader of the Council

REPORT AUTHOR
Shamim Lindsay
Group Solicitor /Manager
Shamim.lindsay@cumbria.gov.uk
Telephone: 07976062123
COUNTY COUNCIL
Meeting date: 16 November 2017
From: Chair of Scrutiny Management Board

SCRUTINY UPDATE REPORT

1.0 PURPOSE OF THE REPORT
1.1 This report updates Full Council on the work of Scrutiny and any issues and developments that have occurred since the last meeting of Full Council.

2.0 ISSUES FOR FULL COUNCIL
2.1 Members are asked to note recent activity undertaken by Scrutiny
2.2 Members are asked to note the work programme provided as Appendix One.

3.0 BACKGROUND
3.1 In this report the Chair of Scrutiny Management Board would like to advise Members of the following issues:
3.2 Development of a Scrutiny Work Programme
3.3 Following the session all non executive Members were invited to on 26th July to consider the topics they felt should feature as part of the Scrutiny Work Programme, SMB considered a draft work programme when they met in September. This is presented as Appendix 1 for information. SMB are keen to ensure the work programme remains flexible as other topics and suggestions may come forward during the year or through the strategic planning process. Council will continue receive regular updates on the Scrutiny Work Programme.
3.4 Scrutiny’s Engagement in Strategic Planning
3.5 A full day Scrutiny Strategic Planning session will take place on 28th November to which all non executive Members have been invited. This will be an opportunity for Members to hear from the Deputy Leader, Chief
Executive, Corporate Directors and Assistant Directors about any proposals being consulted on.

3.6 Performance Working Group

3.5 The Performance Working Group last met on 2nd October when the Quarter 1 Performance Report was considered. Members received a presentation from the Chief Fire Officer about operational performance and discussed a number of areas of performance they noted from the quarterly report including recycling, Delayed Transfers of Care, Fostering and Adoption.

3.7 Additional Scrutiny activity:

3.8 Additional activity that has taken place or is underway is noted below:

- At the last meeting of Scrutiny Management Board Members considered the management of absence with positive progress being made against a detailed action plan. The also considered progress with the delivery of the Digital Strategy. SMB’s focus for the next few months will be engagement in the strategic planning process.

- The Scrutiny and Advisory Board for Children and Young People last met on 15 September 2017. Members received an update on children’s improvement journey and the preparations for Ofsted. The Board also provided pre-scrutiny of the LSCB Early Help Strategy inspection.

- The Adults Board last met on 2nd November. The focus at present is the scoping of a joint piece of work with the Cumbria Health Scrutiny Committee to keep under review the progress with integrating Health and Care and scrutinise issues which cut across the remit of the Committee and Board.

- The Cumbria Health Scrutiny Committee last met on the 9th October, it examined the transfer of Community Health Services between the Cumbria Foundation Partnership Trust and the University Hospitals of Morecambe Bay NHS Foundation Trust, as well the progress made in delivering the Cumbria Mental Health Strategy.

- At the September meeting of The Communities and Place Board, Members received a presentation on the new Fire and Rescue Service inspection arrangements to be implemented nationally from April 2018. Members agreed to develop options for how Scrutiny can effectively contribute to the assessment process. Progress with the HIMS system was also considered.

- The Centre for Public Scrutiny ran a session on Scrutiny Skills on 27th October. This session was well attended with the invitation extended to the Police and Crime Panel and Health Scrutiny. A dedicated training session for Health Scrutiny also took place the same day.

3.9 Call Ins

3.10 No Call Ins have been received since the last meeting of Full Council.
4.0 CONCLUSION

4.1 All Scrutiny Boards have now met since the new Council formed and the work programme agreed by SMB comprises topics and issues that are closely aligned to the challenges the Council faces in delivering services at a time of reducing budgets and increasing demand.

Helen Blake
Senior Manager Policy and Scrutiny

31st October 2017

APPENDICES

Appendix 1 – Scrutiny Work Programme

REPORT AUTHOR
Contact: Helen Blake 01228 226639
helen.blake@cumbria.gov.uk
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<td><strong>Task and Finish Group to look at the implementation of the proposals. This will be convened to enable the Group to look at the next phase of proposals for the service. The Task Group will be run jointly with Childrens Board</strong></td>
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**Legend**

- Cabinet
- SMB - Consideration of Quarterly Corporate Performance Report
- Review in Progress
- Timetable
- Ongoing
- Scoping
AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Tuesday, 12 September 2017 at Conference Room A & B Cumbria House, Carlisle at 10.30am

PRESENT:

Mrs HF Carrick (Chair)
Mrs PA Bell
Mr SB Collins
Mr LN Fisher
Mr NH Marriner
Mr KR Hamilton
Mr DE Southward (Vice-Chair)

Also in Attendance:-

Mrs J Bellard - Director - Grant Thornton
Mrs J Crellin - Assistant Director - Finance (Section 151 Officer)
Mrs J Curie - Senior Democratic Services Officer
Ms K Fairclough - Chief Executive
Mr G Kelly - Associate Director - Grant Thornton
Ms A Pieri - Manager, Public Sector Assurance - Grant Thornton
Mrs N Parker - Group Audit Manager
Mr D Parr - Senior External Peer, Halton Borough Council
Ms I Puzio - Monitoring Officer - Legal and Democratic Services
Dr D Roberts - Corporate Director – Resources and Transformation
Mr P Robinson - Assistant Director - Transformation

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

1 APOLOGIES FOR ABSENCE

There were no apologies for absence for this meeting.

2 MEMBERSHIP

Membership of the Audit and Assurance Committee, as appointed by Council, was noted as:-

Mrs HF Carrick (Chair)
Mr DE Southward (Vice Chair)
Mrs PA Bell
Mr SB Collins
Mr LN Fisher
Mr KR Hamilton
Mr NH Marriner
3 DISCLOSURES OF INTEREST

Mr DE Southward declared an interest under the Members’ Code of Conduct in Agenda Item No 14 – Port of Workington Harbour Accounts, as the Port came under his portfolio as Cabinet Member for Economic Development.

Mr P Robinson – Assistant Director - Transformation declared an interest under the Officers’ Code of Conduct in Agenda Item 6(D) – Amey Lessons Learned as in August 2016 he became responsible for the Policy Team and the Communications Team within the County Council which produced corporate risk reports. Mr Robinson confirmed this responsibility commenced after the Amey trial had concluded and had no conflict with the independence of the Lessons Learned review undertaken.

4 MINUTES

RESOLVED that the minutes of the previous meeting held on 20 March 2017 be agreed with the following amendment:-

Minute No 76 – change the reference to the General Election to County Council election

Minute No 78 – third paragraph, second last line - change the reference to the general election to County Council election

5 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, the press and public be not excluded from the meeting during consideration of any item of business on the agenda.

6 AMEY LESSONS LEARNED

(A) Role of the Audit and Assurance Committee in relation to the AMEY Lessons Learned Process

The Monitoring Officer presented a report to the Audit and Assurance Committee, which set out the role of the Audit and Assurance Committee in relation to the Amey Lessons Learned process.

She explained that the Chartered Institute of Public Finance and Accountancy (CIPFA)’s Position Statement on Audit Committees stated that ‘the purpose of an audit committee was to provide independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes’. 
The Council’s terms of reference for the Audit & Assurance Committee had been written to align with the CIPFA Position Statement on Audit Committees and were included within the Constitution.

The purpose of the Audit & Assurance Committee was stated within the constitution as:-

‘to provide independent assurance to Members on the adequacy of the risk management framework and the internal control environment’.

The Monitoring Officer then explained the role of the Audit and Assurance Committee in relation to the Amey Lessons Learned Review.

The Role of Audit & Assurance Committee was to:

- Review the Lessons Learned report and seek assurances from the Assistant Director about the processes followed to ensure the review was comprehensive and that any key lessons are identified, documented, appropriately communicated and actions are being monitored;
- Consider the report of the Group Audit Manager and seek assurances that in respect of the agreed scope, the processes followed were adequate and effective to lead to appropriate conclusions;
- Consider the assurances provided by the Council’s external senior peer acting as ‘critical friend’; and
- Form a view on the adequacy and effectiveness of the Lessons Learned review and subsequent actions to be assured that governance, risk management and internal control processes are appropriate for the future.

She emphasised the need for the Audit and Assurance Committee to remain impartial – the role of the Committee relating to the Amey Lessons Learned review was to assure itself that the process and the probity of the process followed were robust, sufficiently independent and appropriate. The Committee must have a degree of separation from the investigations themselves in order to ensure its independence in undertaking its role was not compromised. This was noted and agreed by members.

RESOLVED that the report be received and noted.

(B) Statement of Opinion - Senior External Peer

The Senior External Peer – Mr David Parr (Chief Executive of Halton Borough Council) presented a report which outlined his independent statement of opinion in relation to the Amey Lessons Learned - Process and Outcomes.

The statement of opinion was provided by him, as the independent Senior External Peer commissioned by Cumbria County Council (the Council) and contained his professional opinion regarding the Lessons Learned process conducted by the
Council in respect of the procurement, contract management and litigation arising out of the Amey v Cumbria County Council case, with particular focus on the robustness of the lessons learned process undertaken.

The Senior External Peer explained that in forming this opinion he had:

a) Researched the key facts and chronology of the case and provided constructive and robust challenge to the process

b) He had also:-

- Reviewed the Amey v Cumbria County Council High Court litigation judgment and the actions of the Council and others involved before, during and after the various legal proceedings;
- Reviewed the case chronology and the input of key organisations and officials involved;
- Discussed with Cumbria County Council officials (including the outgoing and new Chief Executive) and previous and current Audit and Assurance Committee Chairs and Vice Chairs their expectations for the lessons learned process;
- Discussed this matter with Grant Thornton UK LLP as external auditor;
- Discussed this matter with Cumbria County Council’s Group Audit Manager;
- Undertaken interviews with Cumbria County Council lessons learned facilitators and in particular had regular discussion with and provided challenge to the AD Transformation on the key lines of enquiry;
- Reviewed the Lessons Learned draft report and governance processes in place to progress the report and supporting evidence to the Audit & Assurance Committee.

Mr Parr explained to members that his role as external senior peer was to:-

- Provide professional insight and experience regarding this major commercial contract, performance management expectations, dispute resolution process and litigation management;
- Provide an external peer opinion regarding the key aspects of the case where further probity is required by the Council to ensure any lessons are identified and learned;
- Observe, challenge and advise on the lessons learned methodology being undertaken by the AD Transformation;
- Provide robust challenge to any gaps in the methodology being undertaken to ensure that the lessons learned process is independent of those involved in the case, thorough, robust and evidence based;
- Provide Chief Executive level advice to, and respond to queries from, the AD Transformation and Cumbria Country Council elected members regarding (for example) the approach likely to be taken if this case had happened elsewhere.
- Be available to Grant Thornton UK LLP external auditors, Cumbria County Council Audit and Assurance Committee Chair and Vice Chair
and Cumbria Head of Internal Audit should they have questions or concerns to raise;
- Consider, comment on and challenge the lessons learned draft recommendations both in terms of the content and format of the report.

The Senior External Peer confirmed that it was his professional opinion that the lesson learned process had been comprehensive, rigorous, transparent and robust. His opinion was that all those who had contributed had been motivated to understand what happened, why it happened, what must be done to ensure lessons were learned to minimise or remove the risk of similar events happening again. Mr Parr was confident those involved had approached the process with openness and honesty.

Mr Parr commented that the officers involved, led by the Assistant Director - Transformation and the Senior Manager Performance and Risk, had been thorough, professional, challenging and operated with a high level of integrity throughout. They were impressive individuals and a great credit to the Council and public service. Their approach had been comprehensive and searching, and at times had put them in challenging situations with peers, senior colleagues and members. They had not shied away from asking the difficult questions and this had resulted in a lessons learned process that was both comprehensive and added value.

They had also brought a degree of independence to the process that he believed gave the lessons learned process high credibility that was important and provided reassurance to the public and other interested parties, that they could be satisfied that due process had been followed and due diligence applied.

The Senior External Peer felt it was now important that the Council carefully considered the lessons learned, accepted the recommendations and produced and implemented an Action/Delivery Plan to deliver the learning in a timely and effective way.

He was pleased to report that he had already seen evidence of the Council implementing new ways of working, informed by the learning from the Lessons Learned process, which was encouraging and had confidence that further improvement was planned as a result of the action plan to be considered by the Committee.

The Chair thanked the Senior External Peer, on behalf of both the County Council and the Audit and Assurance Committee, for giving his time voluntarily to help Cumbria County Council during this process.

(C) Internal Audit Assurance Report - AMEY Lessons Learned

The Group Audit Manager presented a report which explained that she was asked to provide input to the Lessons Learned process in order to give assurance to Audit & Assurance Committee over the arrangements for undertaking the review.
The scope of the audit was determined by the Group Audit Manager to provide assurance over four key aspects of the work:

- The robustness of the process undertaken;
- The independence of the review;
- The arrangements for ensuring completeness of the outcomes of the review; and
- The robustness of the arrangements for taking the actions forward to cascade learning and strengthen governance and procedures.

The Group Audit Manager confirmed to the Audit & Assurance Committee that an overall assessment of ‘Reasonable Assurance’ could be provided with the ‘Reasonable Assurance’ opinion also given for each of the four scope areas. The Group Audit Manager stressed that ‘reasonable’ assurance was a high assurance level and stressed to members this demonstrated the review had sufficient independence and rigour.

There were a small number of recommendations arising from the internal audit review generally, which related more broadly to documenting some elements of governance in relation to the management / governance of a project of this size and nature, rather than concerns of the review work undertaken and stressed that the recommendations do not in any way undermine the conclusion of Reasonable assurance, but may assist in decision making should the Council need to undertake future major reviews of a similar nature:

- R1 Ensure there is a formal record of the decision as to how major reviews are to be undertaken to aid transparency
- R2 Ensure issues and actions are tracked through a log to provide robust assurance that all matters have been followed up and resolved
- R3 For future reviews, ensure that timescales for reporting are realistic and informed by an assessment of the work required
- R4 For future reviews, ensure that the governance arrangements are documented at the start to aid clarity and reduce the risk of any undue influence over the process.

Members asked the Group Audit Manager to comment on R3 – ensure that timescales for reporting are realistic and informed by an assessment of the work required. The Group Audit Manager explained that this recommendation was about setting realistic deadlines at the start to enable a full investigation and review to be undertaken. The timescales for the Amey Lessons Learned Review was originally estimated to only allow around 8 weeks for the understanding and interview phase, which had turned out to be insufficient given the amount of work that was needed, and was correctly extended to ensure a full and thorough review was undertaken. In future, if another review was needed, the scope of the work to be done would determine the timescale, rather than an estimated date for the completion of the work. Members expressed the view that producing a thorough and accurate report should be the focus and that prescribed deadlines must not compromise quality.

**RESOLVED** that the report be received and noted.
(D) AMEY Lessons Learned

The Audit and Assurance Committee considered a report from the Assistant Director – Transformation, which invited members to form an opinion as to whether the methodology used to establish the lessons learned by the Council from the events surrounding the Amey v Cumbria County Council litigation was well planned, had a high and sufficient degree of independent input, was thorough, inclusive and transparent.

Before presenting the review approach undertaken, the Assistant Director provided members with a short overview of his professional experience and training in undertaking such reviews, which related to over 20 years of public sector experience focusing on service improvement methodologies; inspection experience following set key lines of enquiry; senior level local government service improvement experience and as a trained Local Resilience Forum debrief officer, to ensure lessons and continuous learning opportunities are identified following major incidents.

He explained that having conducted significant levels of reading and interviews to understand what had happened, his conclusions resulted in a number of lessons learned (shown as L in the report) and a set of associated recommendations (shown as R in the report) all of which informed a corporate Action Plan to be considered by members later in the agenda as a separate report to be presented by the Council’s Chief Executive.

Considering the lessons learned, recommendations made and delivery of the Action Plan would provide assurances for Elected Members that the Council had taken appropriate steps to minimise or remove the risk of similar events happening in the future.

The lessons learned report was commissioned by Cumbria County Council’s previous Chief Executive, with the Assistant Director - Transformation selected to take the lead to develop and implement a review methodology to ensure an independent and thorough process was undertaken given he had only joined Cumbria County Council in February 2015 after the Amey contract had concluded and given he had no previous involvement in any aspect of the Amey litigation process.

The Amey litigation arose following a contractual dispute between Amey and the Council under which Amey was to carry out highways maintenance and associated services for the Council. The contract was for a term of 7 years commencing 1 April 2005, with an option for the Council to be able to renew for a further 3 years.

Detailed findings of the review, the lessons identified and associated recommendations made were included in the Lessons Learned Report, which had now been published.
The Assistant Director detailed the methodology used to establish Lessons Learned and explained that this was designed around the following four commitments:

- There would be open, honest and constructive reflection, ensuring a transparent process;
- There would be robust challenge and scrutiny of those involved;
- There would be a balance of input from officers, elected members and partners that were involved in and had knowledge of the Amey case, as well as officers not involved in the case at the time, but who could provide professional insight and challenge in their current roles, to ensure both independence and rigour;
- That reflection and lessons learned would be reported to elected members via a meeting in public of the Audit & Assurance Committee.

Two senior officers, himself, and the Senior Manager - Performance & Risk facilitated the establishment of the lessons learned methodology by adopting the following approach:

- a desktop review of all relevant documentation, which was voluminous, technical, commercially sensitive and subject to legal privilege;
- group workshop discussions with senior managers of the Council and the Council’s Amey litigation project team using pre-agreed key lines of enquiry, and
- a series of individual 1-2-1 sessions including key officers, elected members and partners, some of whom are still associated with the County Council and some who have since left the Council but agreed to contribute to the review process.

This approach was designed to ensure a balance of minimising additional costs whilst also ensuring appropriate probity and independence.

A simple, yet effective debrief and reflection process was adopted. For each workshop topic, in addition to the key lines of enquiry, the following three themes were used to help structure the sessions, capture feedback and to establish lessons learned with clear recommendations to inform actions for the Council to take going forward:

- What went well?
- What did not go well and why?
- What should the Council do differently?

He asked members to note that the lessons learned team were assured that those who participated in group and/or 1-2-1 sessions approached the process constructively, providing opinions openly based on their recollection and knowledge of the case.

He emphasised to the committee that the purpose of the review was not to re-investigate the case, as this had already been concluded by the Judge. Instead, the purpose of the lessons learned process was to engage those involved in the matter
to genuinely understand what happened, why it happened and what must be done to ensure lessons are learned and to avoid a major contractual dispute happening again.

He paid tribute to the assistance he had received from the Senior Manager - Performance & Risk in facilitating the lessons learned process.

The Assistant Director then took members through the following:-

- The background and context – including the chronology of events;
- The judgement, interest and costs awarded to Amey;
- The methodology used to establish the lessons learned.

He then presented in detail for members all the findings of what happened, the lessons learned and the recommendations of the report. The report contained 20 lessons learned and 27 associated recommendations. He explained that these recommendations had been considered by the County Council’s Corporate Management Team only to inform the required Action Plan; they would oversee the progress of an Action Plan and be accountable for its delivery.

Timely delivery of the Action Plan would put the Council in a stronger position in the future in terms of awareness, mitigation and management of similar risks or costs, and also consideration of benefits should similar circumstances arise. The focus at this stage was to learn from the past, but not dwell on the past and instead, look forward to take all necessary steps to deliver further improvement and to avoid or mitigate the risk of similar events occurring again.

The Chair thanked the Assistant Director – Transformation for his very comprehensive report and opened the floor up to questions.

One of the members asked whether, as part of the review, any consideration was given to whether the type of contract entered into was desirable or whether the contract was in fact too large to manage.

The Assistant Director had, as part of the review, examined whether the contract was robust, but confirmed an assessment of the different contract type options had not featured as a key line of enquiry during this process.

The Senior External Peer confirmed that the lessons learned review did not focus on whether the contract was the right kind of contract, but as part of the learning he hoped that in future all local authorities would consider as part of the procurement, an assessment of options at the earliest possible stage.

One member asked a question about the process of obtaining proposals and quotes for legal representation to support the Council to defend the Amey litigation, and whether anything could be learned from the way this was done.
The Assistant Director said initial quotes were sought via the North West Consortium which at that time was standard practice, as the Council had access to preferential rates from the Manchester Chambers. Although the unit cost (day rate) was greater than that available via the North West Consortium, after careful consideration, the Council took a decision to appoint its legal advisers based not just on price, but included a wider assessment of skills, quality and likely success probability and the Council had viewed this as an appropriate investment to deliver greatest benefit for the Council at trial.

The Assistant Director commented that being involved in major civil litigation of this scale was a new and unprecedented experience for the Council. The Council had a clear desire and strategy to resolve issues and settle outside of the court process, however there had been an unsuccessful attempt to resolve the dispute through meetings of senior officials and a week-long mediation process in June 2014. The Council required a strong legal team to defend the Amey litigation.

He explained that the recommendation from the review was that where external legal representation was to be procured for major projects such as this in the future, the Council should draw up a clear service specification with a documented options appraisal, considered and recorded. Where external legal or expert representation was to be provided, their expertise and experience in relation to the nature of the specific dispute in question should be assessed internally and externally by discussing any proposed appointments with experienced Counsel or solicitors who specialised in the subject-matter of the dispute. This would ensure the best overall value for money option was secured and recorded for the legal capacity, skills and subject matter experience required.

Members questioned whether, as well as legal expertise and support, additional capacity relating to technical highways expertise should also have been commissioned.

The Assistant Director said this learning came forward from the Project Team as they felt that whilst there was sufficient capability, skills and experience within the project team, enhanced capacity to assist with the volume of technical queries would have greatly assisted them.

In relation to recommendation 1, the committee queried whether the County Council had sought enough external input and due diligence before entering to a contract of this size and nature.

The Assistant Director confirmed there was no inference in the review that the County Council had not engaged with expertise to shape the Amey contract. However, even after involvement from two external companies as part of the contract steering group, gaps remained.

Members queried some of the wording used in the report for recommendation 6 and whether it was clear enough for staff to be confident that they would be listened to should they feel the need to use the Speak Up policy to raise issues.
The Chief Executive responded to confirm that the culture of the organisation needed to support staff to have confidence in the Speak Up policy, with staff encouraged to raise concerns in the confidence their views would be listened to, documented and acted upon.

Members agreed that cultural change was vital to the success of this approach, and noted that work led by the Chief Executive was already underway.

The Audit and Assurance Committee was in support of recommendation 8(c) that audit findings and follow up reports should continue to be reported to this committee. However, they sought confirmation that the reference to CMT ensuring that resources were available to allow follow up audits to be undertaken would also include resources for the Internal Audit team as well as service based staff to ensure follow up work had been completed.

The Assistant Director confirmed that the recommendation was intended to ensure that the Internal Audit team would have the adequate level of resources to allow follow up audits to be carried out.

The Chief Executive said one of the lessons learned was about the need for the council to have excellent standards of corporate governance and emphasised her personal commitment to this. She committed to raising the profile of corporate governance and the role of internal audit.

One of the members made a suggestion that recommendation 9 should be clearer about expectations for senior officers and members.

As a result, the Assistant Director confirmed the recommendation could be strengthened and suggested the recommendation on Page 24 of the report be amended from

- **6.4.10 Recommendation (R9)** – Where decisions are taken that may result in significant risks to the Council, there must be a clear expectation that senior officers and members receive all relevant information in a timely manner to thoroughly understand and consider the full extent and consequences of the potential risk. The decision, including action to be taken (or not taken) and the reasons for the decision, should be documented.

to

- **6.4.10 Recommendation (R9)** – Where decisions are taken that may result in significant risks to the Council, senior officers and members should receive all relevant information in a timely manner to thoroughly understand and consider the full extent and consequences of the potential risk. The decision, including action to be taken (or not taken) and the reasons for the decision, should be documented.
All committee members supported this suggestion and AGREED the Assistant Director and Senior External Peer would update the final lessons learned report and that the Chief Executive AGREED that the delivery of actions in the Action Plan would reflect this.

The Audit and Assurance Committee commended all the individuals involved in the lessons learned review.

RESOLVED that Members,

1. Accept the assurances from the Assistant Director Transformation about the methodology followed to ensure the review was sufficiently independent, rigorous and comprehensive;

2. Accept the assurances provided by the Council’s External Senior Peer Chief Executive;

3. Agree the findings of the lessons learned review to ensure the lessons learned are identified, documented and appropriately communicated;

4. Agree the recommendations made in the lessons learned report to ensure they sufficiently inform the Corporate Action Plan that will be considered by the Committee under a separate agenda item to ensure future improvements are made.

5. Accept the adequacy and effectiveness of the Lessons Learned review and subsequent actions and are assured that governance, risk management and internal control processes are appropriate for the future.

7 RESPONSE TO THE AMEY LESSONS LEARNED REPORT

The Chief Executive presented a report which explained that the Council was committed to continuous improvement in the delivery of services and management of its business with the aim of supporting the Council to be efficient and effective. Learning from experience was an important part of this improvement journey.

This report responded to the recommendations made in the Amey Lessons Learned Report and provided an overview of how the organisation intended to take forward actions to address the key learning points and how progress would be kept under review.

A high level, outcome focused action plan had been developed which would be supported by more detailed plans within the relevant services.

Following the conclusion of the litigation with Amey it was recognised that a thorough lessons learned exercise would be essential to drive forward improvements in the Council’s approach to procurement, contract management, litigation and stakeholder management.
The purpose of the exercise was not to undertake an investigation, but to focus on understanding what the Council had done well, what it could have done better, and with hindsight, what it might have done differently.

The underpinning principles for the review activity were for it be undertaken in a way which enabled:

- Open, honest and supported constructive reflection
- Robust challenge and scrutiny
- Input from officer and members
- A report to be made in public with the findings of the review

The Chief Executive explained that an overall response was set out in section 5 of this report; and where additional commentary was felt to be appropriate in response to individual recommendations, this was also provided.

A detailed outcome focused Action Plan had also been developed in response to the Lessons Learned Report. This was provided as Appendix 1 and set out what management was seeking to achieve through improvement activity; the actions that would be undertaken to deliver on the outcomes; where accountability lay for actions, and target dates for delivery.

The Lessons Learned report was much welcomed as it provided objective insight into key issues relating to the Council’s approach to commissioning, procurement contract management, litigation and stakeholder engagement.

The Lessons Learned report contained a number of critical learning points which would support the Council in its continuous improvement journey; and this response had been structured around 6 key themes that have emerged from the recommendations made in the Lessons Learned report.

An Action Plan had been developed. It built on a wide range of improvement activity that commenced immediately the litigation ended; for example, changes to the way in which the Council developed its relationships with providers; and the process to introduce decision logs.

There were four major outcomes where improvement was needed and the action plan was structured around these areas. These were set out below:-

- Contracts are clear and robust, with effective and proportionate contract, performance and risk management arrangements in place.
- Strong governance arrangements are in place for services delivered by external contract.
- The Council proactively and effectively manages the risks, benefits and implications that disputes or litigation may present.
- The Council has effective communications and stakeholder relationships in place when contracts escalate towards formal dispute.
In addition to taking action to address specific areas for improvement, it was recognised there was a need to share the learning. The key audiences for this were the Extended Leadership Team (CMT and all Assistant Directors); all Senior Managers; and all staff involved in commissioning, procurement and contract management activity. The lessons learned would also be shared as part of our existing good governance training for staff.

With regards to communicating with Members; the approach would be to signpost members to the reports received by Audit and Assurance Committee; and would be incorporated into a Member Development Session on commissioning, procurement and contracts that would be offered as part of the Member Development Programme.

The Lessons Learned Action Plan would enable the Council to clearly set out what it expected to achieve. It provided clarity for the public, providers of services, staff and Members. It set out the improvement to commissioning, procurement, contract management, litigation and stakeholder engagement.

The Chief Executive confirmed she would take ownership of the Action Plan and ensure it was reviewed on a regular basis and delivery was in line with the commitments made. Reporting into CMT on this would take place once a quarter.

Members welcomed the production and rigour of the Action Plan. Going forward, they hoped to be able to see more detail about this. They would be keen to see more information in relation to Actions 4 and 5 of the action plan.

Members agreed that an Action Plan was needed to take issues and recommendations forward and welcomed the opportunity to monitor the progress of this.

**RESOLVED** that,

1. Members note the response to the Amey Lessons Learned Report and supporting outcome focused Action Plan provided as Appendix 1;

2. Members confirm that the response and Action Plan provides them with the necessary assurances that the planned improvement activity will achieve the outcomes sought;

3. Members agree that progress reports on delivery of the Action Plan are brought to future meetings of the Committee as part of the regular update on the Annual Governance Statement Action Plan.

The meeting then broke for lunch at 12.45pm and resumed at 1.15pm.
The Corporate Director – Resources and Transformation presented a report which provided members with a progress update on the 2016-17 corporate risk register for the fourth quarter to 31 March 2017 and presented an overview of both risks and opportunities for each of the Council priorities.

In addition, this report presented a summary of the Corporate Risks and Opportunities that had rolled forward into the 2017/18 register, together with the supporting rationale for changes to the 2016-17 register.

The Corporate Director informed members about the Risk Management Training and highlighted that a general risk management e-learning package for Managers had been developed and was being piloted prior to upload onto the Council Learning Zone. Thereafter a further risk management e-learning training package for elected members would be developed.

In March 2017, risk management representatives from Zurich Municipal delivered a comprehensive fraud awareness training session tailored for the Councils Internal Audit Team.

There were currently 16 risks on the Quarter 4 corporate risk register; 11 high and 5 medium risks:

The Corporate Director said that since the previous quarter 2016/17.no new risks were identified, no risk scores were changed, and that no further risks were closed during Quarter 4. However, there was one new emerging risk was identified during Quarter 4 2016/17.in relation to the apprenticeships levy.

Comparing the current Quarter 4 2016/17 risk scores to the Quarter 4 risk scores in 2015/16 13 of these risks remained at the same score as the previous year’s Q4 period and 1 risk had increased in score - C19: Standards in secondary schools (excluding academies)

There were 11 corporate risks that had remained on the register over the last 24 months.

Members asked for an update on management of attendance. The Corporate Director explained there would be a substantive report to the next meeting in this.

One of the members raised concerns with risk – non delivery of Medium Term Financial Plan savings, and asked how members could be assured that this was being monitored. The concerns raised were about Adult Services and the complexity of managing this budget.

The Assistant Director – Finance said budget was difficult to manage especially in times of austerity and the growing demographics for the aging population within the county. She explained that there was a management board monitoring this closely.
Central Government had recognised the need for additional funding for Adult Social Care and funding received into the Better Care Fund (BCF) had been increased. However, there would still be pressure to maintain the spend in cash limited services.

Members felt it might be advantageous to look more strategically at this and asked whether the council recognised the potential risk in its entirety in relation to the aging population and the effect this could have on the whole of the council services.

The Corporate Director explained that an aging population was a cause of some of the risks on the risk register and AGREED to look at this to determine how this might be reflected more clearly in the risk register.

Members asked questions about the IT tracking tool being used to track the income of service users and the Assistant Director AGREED to investigate the queries and respond to members directly.

Members raised questions about risk C13 – Inadequate Information Governance and whether this included cyber risk. The Corporate Director said the issue of cyber risk would be a substantive item for the January 2018 meeting of the committee and that the Q1 report would include a specific risk on this matter.

Members noted that the Corporate Risk Report – Quarter 1 would be presented to the next meeting scheduled for 25 October.

**RESOLVED** that,

(1) Members note the content of the report, and agree that it provides sufficient assurance that the current Risk Management arrangements are both robust and effective;

(2) Members identified the aging population and the cyber risk as areas of risk for further detailed examination at future Audit & Assurance Committee meetings.

**9 SENIOR INFORMATION RISK OWNER (SIRO) & INFORMATION GOVERNANCE ANNUAL REPORT 2016-17**

Members had before them a report from the Corporate Director – Resources and Transformation, which provided an update relating to the responsibilities of the Cumbria County Council Senior Information Risk Owner (SIRO) and outlined activity and performance related to information governance. It provides assurance that information risks were being effectively managed; what was going well; and where improvements were required.
Whilst previously presented as two separate reports (Information Governance Annual Report and SIRO Annual Report) these had now been combined to provide a single report which outlined the new and emerging information governance considerations.

ICT security and cyber risks presented an increasing challenge to all organisations and the Council was no different. Arrangements to manage these risks were contained in the report with a summary included to list actions already undertaken and further activity planned to maintain and strengthen defences and enhance corporate resilience.

The Senior Information Risk Owner (SIRO) Annual report reflected the Council’s information governance work undertaken during 2016-17, and provided assurance that personal data was held securely; information is disseminated effectively and provided an overview of key performance indicators relating to the Council’s processing of information requests within the necessary legal frameworks.

Members asked for assurance the County Council took seriously the possible threats caused by cyber risks. The Corporate Director said the council was mindful of the possible threats and risks associated with this. This would be included in one Q1 risk report and would be a substantive item for the January 2018 meeting.

She reminded members that a substantive item would be coming to the January Audit Committee on this risk.

RESOLVED that, Members note the content of the Annual Report for 2016/17 in Appendix 1 to the report.

10 INTERNAL AUDIT ANNUAL REPORT 2016/17

(A) Internal Audit Annual Report 2016/17

The Group Audit Manager presented a report which provided a summary of the outcomes of the work of Internal Audit for 2016/17 and included the Head of Internal Audit’s opinion on the effectiveness of the Council’s arrangements for governance, risk management and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS)

Key points from internal audit’s annual report were:-

- The annual opinion of the head of internal audit: based on the work undertaken by internal audit during the year, the Group Audit Manager was able to provide Partial assurance over the effectiveness of the Council’s arrangements for governance, risk management and internal control.
- Overall, 27% of Risk Based Audits resulted in Reasonable or Substantial assurance, with 73% resulting in Partial or Limited assurance. Where
The work of internal audit was considered to have provided an appropriate level of coverage to provide the opinion, and there have been no threats to internal audit’s independence in the year to which this opinion related.

- Actions had been agreed in respect of individual audits. Audit work had also identified that there was scope for improvements in the corporate arrangements for operational risk management, performance management and development, approval and maintenance of policies, procedures and other guiding documents. Implementation of these actions should provide the opportunity for strengthened governance which will feed into the audit opinion for 2017/18.

The Group Audit Manager reminded members that it was management’s responsibility to establish and maintain internal control systems and to ensure that resources were properly applied, risks appropriately managed in line with acceptable tolerances and that outcomes were achieved. Management was responsible for the system of internal control and should set in place policies, procedures and checks to ensure that controls were operating effectively.

She asked members to note that in giving this opinion assurance could never be absolute and it was not possible to give complete assurance. Her opinion was based on the work undertaken by Internal Audit during the year, including the outcomes of follow up work.

The Group Audit Manager was satisfied that sufficient audit work had been undertaken to allow her to provide an opinion, and confirmed that there had been no threat to Internal Audit’s independence that would impact on the provision of the opinion.

In this instance the Group Audit Manager’s opinion was that Partial assurance could be provided over the adequacy and effectiveness of the systems for governance, risk management and internal control.

Members asked if Internal Audit encountered any difficulties closing out audit reports with management. The Group Audit Manager said that there was a healthy level of challenge over audit findings and conclusions, but that this was welcomed as part of the process for ensuring all relevant information was considered and audit reports accurately reflected the arrangements in place. The Group Audit Manager explained that Corporate Directors were asked to sign off the reports and action plans to ensure there was corporate level support for the audit process.

Members asked whether any benchmarking was carried out to compare Internal Audit approaches and assurance levels. The Group Audit Manager explained that she does some informal benchmarking of how we compare with other authorities, but that the formal benchmarking tended to focus more on inputs rather than processes and outcomes.
The Group Audit Manager assured Members that the risk based approach to internal auditing was the required approach under the Public Sector Internal Audit Standards and is appropriately focusing on how the Council’s management was assured over their systems and processes. The Assistant Director – Finance said this type of audit was the most effective use of Internal Audit resources, compared with more traditional audit, which regularly revisited systems that had not changed from one year to the next.

**RESOLVED** that, members note

1. The progress in delivering the 2016/17 audit plan and the outcomes of completed audits set out at Appendix 1;

2. The Head of Internal Audit’s opinion of Partial assurance over the adequacy and effectiveness of the council’s arrangements for governance, risk management and internal control for the year ended 31 March 2017;

3. The Head of Internal Audit’s declaration of conformance with the mandatory PSIAS;

4. The Head of Internal Audit’s declaration of Internal Audit’s independence as required by the PSIAS:

5. The outcomes of the Quality Assurance and Improvement Programme;


**(B) Management Response to Internal Audit Annual Report 2016/17**

The Audit and Assurance Committee considered a report from the Corporate Director – Resources and Transformation which explained that the annual Internal Audit report was a mandatory report of the Head of Internal Audit, the purpose of which was to provide the Council with assurance over its arrangements for governance, risk management and internal control in line with the Public Sector Internal Audit Standards (PSIAS). For 2016/17 the opinion of the Group Audit Manager was of Partial Assurance.

This paper provided the Council’s management response to the annual Internal Audit Report in order to provide Members with assurance over the work already underway and planned to strengthen the arrangements in respect of the issues identified in the annual internal audit report.

The annual opinion of the Head of Internal Audit for 2016/17 was of Partial Assurance. This was based on the outcomes of completed audit work during the year where a higher proportion of audits resulted in Partial or Limited Assurance than in recent years. This reflected the risk based approach to audit, in line with Audit Standards.
In line with agreed reporting arrangements, the annual report was presented to Corporate Management Team (CMT) by the Group Audit Manager for information and discussion of the information contained within the report.

CMT had discussed the report in detail in particular the three cross-cutting themes identified in the report (operational risk management, performance management and maintenance of appropriate operational policies and procedures) which had arisen from audit reviews across services and directorates. CMT considered the actions already underway or needed to address the key issues arising from the work of internal audit.

The response was set out in Section 5 of the report and an Action Plan had been developed in response to the themes identified in the annual report. This was provided as Appendix 1 to the report and set out what management was seeking to achieve through a proportionate level of improvement activity which was either planned or has already commenced.

Members were pleased to see the reference in the response to member engagement as they felt that few members understood the audit process, especially around risk management.

**RESOLVED** that, Members note the management response to the annual Internal Audit report.

### 11 ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS 2016/17

The Assistant Director – Finance (Section 151 Officer) presented a report which provided a review of the work of the Audit and Assurance Committee against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees 2013.

The Audit and Assurance Committee pursued its vigorous work programme throughout 2016/17, building on its activities in recent years. The Chair and Vice Chair of the Committee continued in their respective roles throughout the period.

It is established practice that this report is presented by the Chair of the Committee, however following changes in Committee membership, the report has been prepared by the Assistant Director, Finance (S151 Officer) on behalf of the Chair.

She highlighted the following for members to note:-

- The Committee in 2016/17 continued to take a keen interest in the arrangements for effective risk management.
- The Committee oversaw the addition to the corporate risk register of an emerging risk associated with the outcome of the EU Referendum held in June 2016.
• The Committee received regular progress reports on the work of Internal Audit and noted that levels of assurance have reduced from previous years.
• The Committee approved the internal audit charter, a key document required by the Public Sector Internal Audit Standards (PSIAS), which sets out the purpose, authority and responsibility of Internal Audit and ensures its independence.
• Audit & Assurance Committee continues to receive reports and presentations from the Council’s senior management on areas where there are links with risk, governance and internal control matters.
• The Committee continued to perform its role in overseeing the Council’s approach to Treasury Management, receiving papers on changes to the Minimum Revenue Provision Policy and the draft Treasury Management Strategy for 2017/18.
• The Chair and Vice Chair received routine briefings from the Assistant Director (Finance) and senior managers in Finance during preparation of the accounts for 2015/16, and received briefings from the Assistant Director (Finance) and the Chief Executive during the year in relation to a litigation matter where the Council was the defendant.
• The Audit and Assurance Committee approved the Annual Governance Statement for 2016/16 and received regular progress reports on the action plan in relation to the significant governance issue relating to Children’s Services in 2016/17.
• The Committee has responsibility for approving the annual Statement of Accounts, and annual training is sought from officers to assist in this significant responsibility.

One of the members asked how the judgement on the effectiveness was made, and the Group Audit Manager explained that the Council was required to confirm within its Annual Governance Statement (AGS) that there were effective arrangements for fulfilling the role of an audit committee. The suggested benchmark in the guidance for preparing the AGS was the CIPFA Position Statement for Audit Committees in Local Government. The template for this report was based on the seven roles for Audit Committees set out within the CIPFA Position Statement.

The Chair asked the external auditors for a view on the effectiveness of the committee, to which the Audit Manager from Grant Thornton replied that she was assured that the report accurately reflects her observations on the work of the Committee through her attendance at its regular meetings.

RESOLVED that, members note the report and confirm the assessment of conformance with the core functions of an audit committee per the 2013 CIPFA Guidance as set out at Appendix 1 of the report.
Members had before them a report from the Assistant Director – Finance (Section 151 Officer) which explained it was a requirement of the mandatory Public Sector Internal Audit Standards (PSIAS), that all public sector internal audit functions were subject to an external assessment at least once every five years.

The PSIAS were first introduced on 1 April 2013, meaning that the first external assessment must be completed by 31 March 2018.

The PSIAS required that Audit Committees had the opportunity to discuss the assessment to assure themselves of the skills, experience and independence of the assessor.

This paper explained the arrangements that had been put in place for the assessment and sought to provide assurance over the skills, experience and independence of the appointed assessor.

The Public Sector Internal Audit Standards (PSIAS) were introduced on 1 April 2013, replacing the 2006 CIPFA Code of Practice for Internal Audit in Local Government as the relevant standards for UK public sector Internal Auditors.

It is a requirement of the PSIAS that all UK public sector Internal Audit providers are subject to an external assessment at least once every five years, with the first assessment due by 31 March 2018.

The review had been commissioned through the Chartered Institute of Internal Auditors (CIAA) and would take the form of a validated self-assessment using the CIAA’s assessment toolkit. The assessment was planned to take place during the first week in October 2017, with the assessor expecting to be on site for three days during which he would meet with the audit team and key internal clients of Internal Audit, including the Chair of Audit & Assurance Committee.

The assessment would result in a final agreed report and action plan which would be reported to the Audit & Assurance Committee in line with the expectations of the PSIAS.

RESOLVED that, members note the report and the assurances given over the expertise and independence of the external assessor.

13 GRANT THORNTON

(A) External audit update report 2016/17

The Audit Manager from Grant Thornton presented the Audit and Assurance Committee with a report on progress in delivering their responsibilities as the County Council’s external auditors.
The update included the results of the cyclical review of the IT environment. This was the first opportunity to report the findings of the IT environment review to the Committee since the meeting on 20 March 2017. The Audit Plans for Cumbria County Council and Cumbria Local Government Pension Scheme (CLGPS) were presented to the 20 March 2017 Audit and Assurance Committee. The main findings from their work would be reported in the Audit Findings Reports for Cumbria County Council and CLGPS to the 25 September 2017 Audit and Assurance Committee.

RESOLVED that, the report be received and noted.

(B) Audit Fees for 2017/18

The letter from Grant Thornton which outlined the planned audit fee for 2017/18 was considered by the Committee.

The Audit Manager from Grant Thornton confirmed that the fees would remain the same for the forthcoming year.

RESOLVED that the planned audit fee for 2017/18 be noted.

14 PORT OF WORKINGTON HARBOUR ACCOUNTS 2015/16

Members considered a report from the Assistant Director – Finance (Section 151 Officer) which presented the Port of Workington Harbour Accounts 2015/16 to the Audit & Assurance Committee for review and approval.

Grant Thornton had completed their audit work on the 2015/16 Harbour Accounts as reported in their External audit progress and update report (Agenda Item 13).

Discussions regarding the presentation of Harbour Authority accounts had been ongoing nationally for several years. The issue was initially raised by the Audit Commission in September 2013. However as a result of limited definition by the Audit Commission on the form a review of harbour authority statements should take, and as it was outside of Code of Practice, then the audit firms, including Grant Thornton, required more detailed guidance. With the demise of the Audit Commission the guidance wasn’t forthcoming and the issue lay dormant until November 2016.

In November 2016 the National Audit Office (NAO) stated that audit firms should determine their own audit approach, however they did provide supporting information to assist the auditors.

The underlying legislation that contained the reporting requirements for Harbour Authority Accounts is the Harbours Act 1964. Section 42[1] of the Act requires statutory harbour undertakings (which included local authorities that are also harbour authorities) to prepare an annual statement of accounts relating to harbour activities. Section 42[3] of the Act expressly stated that this requirement was not satisfied by the preparation of a statement of accounts that covers matters in addition to harbour activities. Meaning that the inclusion of harbour activities within a
local authority’s annual Statement of Accounts would not satisfy section 42(1) and a standalone annual statement of accounts relating to harbour activities was required.

The Port of Workington was below the £6.5m turnover Companies Act threshold. The Council had previously taken the view that management accounts presented to the Workington Harbour Board and the separate disclosure of the Port of Workington as a Traded Service within the Council’s main Statement of Accounts was sufficient to satisfy all of the above legislative requirements. Following discussions with Grant Thornton it was agreed that the Council would prepare a statement of accounts for the Port of Workington from 2015/16 onwards that included the following:

- Profit and Loss Account,
- Balance Sheet
- Accounting Policies
- Notes to the Balance Sheet
- Statement of Responsibilities

Grant Thornton would then perform a limited audit each year to provide the Council with assurance that the Accounts had been prepared on a reasonable basis and would also report, on an exception basis, any matters relating to the annual statement of accounts that they considered needed to be drawn to the Council’s attention.

This report presents the audited Port of Workington Harbour Accounts 2015/16 together with the Auditor’s Report, these would be reported to the Workington Harbour Board at the meeting of 23rd October 2017.

Members asked where funding came from for capital improvements at the port and the Assistant Director confirmed this was from the County Council’s Capital Programme.

The Chair of the Audit Committee was concerned that she was being asked to approve the accounts when she had no understanding of them, or the workings of the Port. In response the Chair was assured the accounts related to 2015/16 where high level content had been included in the Council’s Audited Accounts 2015/16. In addition the Auditor had completed their audit of the Accounts. No issues had been raised. These concerns were noted.

RESOLVED that, members

(1) Note the contents of this report.
(2) Note that the work carried out by Grant Thornton for the Port of Workington Harbour Accounts 2015/16 is now complete as per the External audit progress and update report
(3) Approve the Port of Workington Harbour Accounts 2015/16
(4) Authorise the Assistant Director –Finance, as the Council’s Section 151 Officer to sign the 2015/16 audited accounts on behalf of the Council.
15 LOCAL AUDIT ACT - APPOINTMENT OF EXTERNAL AUDITOR

The representative from Grant Thornton left the meeting at this point.

The Assistant Director – Finance (Section 151 Officer) presented a report which provided members of the Audit & Assurance Committee with an update on the progress on the appointment of the Council’s external auditor by Public Sector Auditor Appointments Ltd (PSAA).

Take up of PSAA’s national auditor appointment scheme had been high with 483 of the 492 eligible bodies opting in.

There was a statutory deadline for the appointment of external auditors to local authorities by 31 December 2017 in preparation for the audit of the accounts for 2018/19.

On 14 August 2017, the Chief Executive and Assistant Director - Finance (S151 Officer) received formal notification of the beginning of a consultation on the proposed appointment of Grant Thornton (UK) LLP in respect of Cumbria County Council. The appointment was proposed for a period of five years starting on 1 April 2018.

The consultation on the proposed appointment lasted from 14 August to 22 September 2017. If the Council was satisfied with the proposed appointment, this must be confirmed by email to PSAA Ltd by 5.00pm on 22 September.

PSAA Ltd would consider any representations and respond by Monday 16 October 2017. If representations were accepted, Councils would be consulted on an alternative auditor appointment between 16-27 October 2017. If representations were not accepted, this would be confirmed by PSAA.

The PSAA Board would then consider all the 2018/19 appointments for approval at its meeting in December 2017, and would issue a confirmation letter.

RESOLVED that, members note the update on the national auditor appointment scheme and were supportive of the proposals for the appointment of Grant Thornton as the Council’s external auditor for a period of five years from 1 April 2018.

16 FORWARD PLAN - AUDIT & ASSURANCE COMMITTEE

The representative from Grant Thornton returned to the meeting at this point.

The Forward Plan was noted with the following amendments:--


17 DATE & TIME OF NEXT MEETING

The next meeting of the Audit and Assurance Committee will be held on 25 September 2017 at Cumbria House, Carlisle at 10.30am

The meeting ended at 3.20 pm
AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Monday, 25 September 2017 at Cumbria House, Carlisle at 10.30am

PRESENT:

Mrs HF Carrick (Chair)

Mrs PA Bell  Mr KR Hamilton
Mr SB Collins  Mr NH Marriner
Mr LN Fisher  Mr DE Southward (Vice-Chair)

Also in Attendance:-

Mrs J Crellin - Assistant Director - Finance
Mrs J Currie - Senior Democratic Services Officer
Mr P George - Senior Finance Manager - Children's Services (Item 10)
Mr G Kelly - Associate Director - Grant Thornton
Ms A Madden - Senior HR Manager – Operations
Ms F Parker - Group Finance Manager - Corporate Accounting (Item 10)
Mrs N Parker - Group Audit Manager
Ms A Pieri - Audit Manager - Public Sector Assurance, Grant Thornton
Mr P Robinson - Assistant Director - Transformation
Dr D Roberts - Corporate Director - Resources and Transformation

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

18 APOLOGIES FOR ABSENCE

There were no apologies for absence on this occasion.

19 MEMBERSHIP

There were no changes of membership for this meeting.

20 DISCLOSURES OF INTEREST

There were no disclosures of interest made for this meeting.

21 MINUTES

RESOLVED that, the minutes of the previous meeting held on 12 September 2017 be agreed as a true and accurate record.
22 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, the press and public be not excluded from the meeting during consideration of any item of business on the agenda.

23 2017/18 QUARTER 1 CORPORATE RISK REGISTER

The Audit and Assurance Committee considered a report from the Corporate Director – Resources and Transformation which provided members with an update on progress with the 2017-18 Quarter 1 corporate risks for the period 1 April 2017 to 30 June 2017.

A high level summary of the corporate risks position was presented as Appendix 1 to the report, which included all risk scores and risk profile as of end June 2017; and showed the direction of travel compared with the previous quarter (31 March 2017) as well as the direction of travel compared with the same period 12 months ago (30 June 2016).

Members were also provided with a detailed register of all individual corporate risks. For each corporate risk, information was included about the causal factors for the risk; activity undertaken during the previous quarter to manage the risk; and a forward look at the mitigating actions planned to further manage or tolerate the risk.

The Assistant Director – Transformation specifically highlighted the following for members:-

- Internal Audit of Risk Management – an internal audit review of risk management had been agreed as part of the 2016/17 Internal Audit Plan. This audit commenced during Quarter 1. The outcomes of the audit may identify further improvements to help the corporate risk management function to better support managers and employees in ensuring effective Risk Management was in place.

- Review of Performance & Risk Management Framework - additionally, a review of the Performance and Risk Management Framework had commenced with the aim of improving the integration of Risk Management within general Performance Management as well as clarifying the responsibilities and accountabilities of managers for assuring compliance to Performance and Risk Management arrangements.

- Risk Management Reporting - a review of the Council’s own documentation used for reporting risk had led to the introduction of new look risk management reports which were presented to members in Appendices 1 and 2. These were aimed at streamlining the previous reports, removing duplication and providing a more comprehensive picture of the status and effectiveness of risk management arrangements for each Corporate Risk.

- Cyber Incident - during May 2017 the Council was impacted by the WannaCry ransomware cyber-attack through our network connection to the NHS. The Council’s response to the incident was well managed and the County Council learned a number of lessons from this event that
would further strengthen Cyber security measures. As a result, further policies, procedures and business continuity arrangements were being improved.

The Assistant Director then took members through the summary of changes of Corporate Risks compared with the previous quarter. No risks had been removed and one further risk had been added – Cyber Threat.

Members asked about progress with the Apprenticeship Levy and the Corporate Director – Resources and Transformation offered members a written briefing on this. This was AGREED.

One of the members asked if officers were confident that plans were in place to deal with the emerging risk of non delivery of statutory services. The Assistant Director – Transformation confirmed this to be the case.

Members asked for details of the work taking place with the BME communities in relation to the radicalisation of young people. The Assistant Director AGREED to investigate and provide members with a written briefing.

The Chair asked how realistic the targets were, and what actions were being undertaken to reduce these. If in reality the risks would never be reduced she wondered whether a review was needed given the financial constraints the County Council was working under. The Assistant Director AGREED to look at this to see if the approach to risk management could be strengthened going forward.

Members were aware that the Children’s Services Directorate was currently awaiting an Ofsted inspection, and wondered whether this would have any effect on the core services provided for children and young people.

The Assistant Director said the key element was to make sure the delivery of services remained affordable and deliverable and this was the same for all directorates, not just children’s services.

Members commented that the risks for Children’s Services would be wholly linked to evidence and it was crucial that the County Council and its partners had the evidence to show.

**RESOLVED** that,

1. the report be noted;
2. Members were assured that the current risks management arrangements are robust and effective

**24 RISK DEEP DIVE MANAGEMENT OF ATTENDANCE UPDATE**

Members considered a report from the Corporate Director – Resources and Transformation, which provided an update of the management of attendance by the Council, following reports considered by Audit and Assurance Committee in March 2016.
In the context of absence management, the role of the Audit and Assurance Committee was to provide independent assurance to members on the adequacy of the risk management framework and the internal control environment.

High sickness absence levels impact on capacity and the available resources required to deliver council services and to meet the priorities of the community. Audit and Assurance Committee at its meeting in March 2016 received an update on action taken to manage absence. At that committee, it was agreed that a further update would be provided to members of the Audit & Assurance Committee in September 2017.

The issue of high workforce absence had been of concern to elected members of the Council for some years and a Task and Finish Review of the issue was undertaken by Scrutiny in 2012. The Review made a number of recommendations to improve management of absence, most of which were accepted by Cabinet and had been implemented. Further actions had since been identified and implemented to support the improvement in performance.

The Deep Dive identified trends in absence performance and external factors. Data was analysed on a corporate, directorate and service level to understand the reasons, duration and frequency of absence. Updates were provided to CMT and DMTs at a detailed level highlighting key themes and issues for each service area. The Deep Dive analysis created an evidence base to inform a detailed action plan to address the risks posed by absence. Scrutiny Management Board, with a focus on performance, had also received a detailed update relating to absence management and fed back that the actions being taken had positively impacted on performance.

Members were provided with the detailed action plan as Appendix A of the report. The plan had been fully implemented with actions falling under three key themes:

- prevention,
- intervention and
- resolution.

The report detailed progress on the action plan and the positive impact that had been realised so far. Increased corporate prioritisation of the absence agenda had been seen since November 2016 including:

- A priority for Chief Executive, Corporate Management Team and Extended Leadership team
- A rigorous corporate focus, with relentless attention to detail
- Assistant Director – Transformation chairs a weekly meeting to drive the action plan
- A ‘whole team’ approach by People Management staff at all levels
- Monthly updates to CMT and DMT
- Detailed action plan to drive improvement
- Increased governance and scrutiny of performance at all levels
- Refreshed policies and procedures to drive improvement whilst ensuring a person centre approach to managing absence
• Increased employee communications, CMT 3 key messages and Chief Executive’s blog
• Engagement and support of Trade Unions
• Greater visibility of the Employee Wellbeing Service (Occupational Health) and Lead Clinician Dr Abbas
• Assistant Director case resolution clinics and ‘panel’ approach based on success from other councils.

Within the action plan, specific focused resources had been prioritised for services where absence performance was of greatest concern. The services receiving dedicated support had changed since March 2017 and reflected performance improvements made by Fire & Rescue Service and the Children’s Services (Directorate) as well as areas where performance was deteriorating.

In addition to the targeted service support, a high priority case approach had also been implemented by the People Management Service to manage significant long-term cases and high frequency short-term absences.

The Deep Dive identified external factors that had an impact on absence. Factors including restructuring and reshaping activity; preparation for inspections; and environmental and seasonal events could all result in absence, with the biggest influence being reshaping activity.

A key output of the ‘Absence Management Deep Dive’ was to create a step change in the way in which sickness absence was currently being monitored, analysed and managed, creating tangible service specific actions championed by members of the Corporate Management Team to generate attendance improvements.

The Assistant Director detailed for members absence performance for 1 April 2017 to 31 July 2017 where significant improvements had been made, with a 16% improvement (13.21 working days lost in March 2017 reduced to 11.15 working days lost at the end of June 2017.

Positive workforce communications had been issued celebrating the improved performance and recognising this improvement in a positive shift of messaging to attendance as opposed to absence. The performance reflected 90% attendance month on month of the workforce since April 2017 and as such supported positive messaging recognising that the vast majority of employees had good attendance records.

It was recognised that sickness absence levels continued to contribute to the capacity and financial challenges of the Council. Some service areas required minimum staffing levels to safely operate, resulting in the need for additional shift cover costs, or in cases of longer-term absence, temporary or agency staff which could have higher unit costs than the substantive post holder.

The key output of the ‘Deep Dive’ reported in March 2017 was to create a step change in the way in which sickness absence was currently being monitored, analysed and managed, creating service specific actions championed by members of the Corporate Management Team and the Extended Leadership Team of Assistant Directors to generate attendance improvements.
Management capacity, skill and resource remained the single biggest asset in managing absence and improving attendance. Mandatory absence management training for managers was delivered in March and April, with further sessions scheduled for September, October and November.

Members supported the need for mandatory absence management training and were encouraged to note that further sessions were planned to take place.

Members were concerned to note that the directorates which had the highest absence figures last time had not improved. The Assistant Director explained that many of these were due to long term sickness absences.

Members wondered if sickness absence was exacerbated by the impact on service delivery of pressures on budgets and the consequence of this on workload pressures. The Assistant Director felt it was inevitable that during times of austerity. The council was continually looking for ways to reshape services to counteract these pressures, whilst still maintaining services.

RESOLVED that,

(1) members note progression of the Corporate Action Plan in place to minimise and mitigate the risks associated with absence management;

(2) members are assured that absence management activity is being applied across all areas of the Council, with resources targeted to services where performance exceeds target or is deteriorating;

(3) members note the impact that improved absence management procedures have had on absence performance and wider capacity and wellbeing of the workforce.

Mr K Hamilton and Mr N Marriner left the meeting at this point.

25 INTERNAL AUDIT PROGRESS REPORT TO 31 JULY 2017

The Group Audit Manager presented a report which provided a summary of the work of Internal Audit in the four months to 31 July 2017. Audit work completed to draft report stage by 31 May 2017 had previously been reported within the 2016/17 annual internal audit report.

The internal audit plan for 2017/18 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage was focused on the areas of highest risk to the council. The plan had been prepared to allow the production of the annual internal audit opinion as required by the Public Sector Internal Audit Standards (PSIAS).
The detail below showed the number of internal audit reviews completed, in progress and still to be started for both the 2016/17 and 2017/18 audit plans.

<table>
<thead>
<tr>
<th>Audit plan year</th>
<th>Audit Status</th>
<th>Number of reviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17</td>
<td>Audits completed</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Audits in progress</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Audits not yet started</td>
<td>3</td>
</tr>
<tr>
<td>2017/18</td>
<td>Audits completed</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Audits in progress</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Audits not yet started</td>
<td>15</td>
</tr>
</tbody>
</table>

The Group Audit Manager informed members that an amendment to the approved audit plan had been discussed and agreed with management. The planned audit of Duty Management Systems in Cumbria Fire and Rescue had been replaced with an audit of Fire Safety Inspection Programme.

This amendment had been agreed by the Chief Fire Officer and reported to Corporate Management Team. The removal of Duty Management Systems was agreed on the basis there was an external inspection taking place this year and management were aware of areas for improvement in the system meaning an audit may not represent the best use of resources this year.

Fire Safety Inspections was identified as an appropriate area for internal audit review given the tragic fire at Grenfell Tower in June 2017 and the Chief Fire Officer’s request to be assured that the arrangements in Cumbria were appropriate and effective to mitigate risk. The Chair noted that ordinarily she would expect amendments to the audit plan to come to the committee for approval, but she was aware that this may have occurred during the time the Council had no administration in place.

Audits completed at 31st July comprised five audits; four risk based and one school audit. Of these, two (Capital Receipts and Accounts Receivable) resulted in Reasonable Assurance. Two audits received Partial assurance (St Bridget’s Primary School, Parton and ICT Projects), and one audit (Periodic Payments to External Providers) resulted in Limited Assurance.

In line with the outcomes of internal audits during 2016/17, finalised reports in the first quarter of 2017/18 continued to identify gaps in the arrangements for risk management and performance management. Audit & Assurance Committee had received a detailed management response to the issues identified in the annual report and internal audit would continue to report on these matters through quarterly progress reports.

Members were concerned to note that the judgement for the Children and Families Services Audit on Periodic Payments to External Providers was only limited assurance, and asked how they could be assured that appropriate actions were undertaken to resolved this.
The Group Audit Manager explained that all audits with Partial or Limited assurance were revisited after a 6 month period and the outcome of this would be reported back to the Audit and Assurance Committee. Any audits with a judgement of limited assurance were forwarded to the Chief Executive who had raised the importance of implementing agreed actions at CMT to ensure that all actions were followed through.

RESOLVED that, members note the progress and the outcomes of internal audit work.

26 ANNUAL GOVERNANCE STATEMENT 2016/17 AND ACTION PLAN 2017/18

The Corporate Director – Resources and Transformation presented a report which detailed the final draft Annual Governance Statement, as Appendix 1 of the report, following review by the Council’s external auditor, Grant Thornton. Significant governance issues were highlighted in the Annual Governance Statement and actions to tackle these were set out in a draft Action Plan appended to the Annual Governance Statement.

The Corporate Director stated that the final Annual Governance Statement must be published with the Statement of Accounts by no later than 30 September 2017.

Custom and practice at Cumbria County Council was that the draft Annual Governance Statement and Action plan was ordinarily presented to the Audit and Assurance Committee prior to publication (in draft form) in June. However, due to there being no meeting of the Committee in June 2017, the draft Annual Governance Statement and Action Plan were published this year without input from the Committee. This report was therefore the first occasion that the Committee had had the opportunity to consider the Annual Governance Statement and Action Plan.

The Council’s governance arrangements include oversight of the effectiveness of its arrangements by the officer led Corporate Governance Group, Corporate Management Team and the Audit and Assurance Committee. Annually a detailed review is carried out of the Council’s arrangements drawing on a range of information.

The review of corporate governance 2016/17 had identified two significant governance issues, which related to Children’s Services and the Amey Litigation. The Action Plan for 2017/18 (in parts A and B) attached to the Annual Governance Statement for 2016/17 set out the proposed work to be undertaken to manage these issues.

Members asked whether the issue before them was one of quality or process. The Corporate Director said it was about the process and governance of Scrutiny, and ensuring proper scrutiny arrangements were in place. In terms of the effectiveness of Scrutiny this was dependent upon the individual work programmes of the boards.
RESOLVED that

(1) members approve the final Annual Governance Statement of Cumbria County Council for 2016/17;

(2) members RECOMMEND the final Annual Governance Statement of Cumbria County Council for 2016/17 is signed by the Leader of the Council and the Chief Executive prior to publication.

The Committee then broke for lunch at 12pm and resumed at 12.30pm.

27 ACCOUNTS 2016/17 OVERVIEW

The Assistant Director – Finance (Section 151 Officer) presented this report and explained to members that the Unaudited Accounts for the Council and the separate Cumbria Local Government Pension Scheme (Cumbria LGPS) 2016/17 were published on 30th June 2017, having been authorised by the Assistant Director – Finance (Section 151 Officer) in line with the Accounts and Audit Regulations 2015.

A robust training session had been held on 6 September 2017 where members received a presentation from the Finance Team and the auditor which set out:-

- the process by which the accounts had been prepared and audited, assurance the committee had in relation to completeness and thoroughness of the accounts
- the approach the auditor had taken in relation value for money assessment
- the audit findings thus far to that point
- the headlines of the Accounts – presented the key financial statements, key figures, facts and answered lots of Questions – for example, from accounting for defined benefit schemes of pensions through to Business Rate information provided by the District Councils and what asset classes the pension fund holds.

Grant Thornton had now completed their audit work and their Audit Findings Reports would be presented at agenda item numbers 11 and 12 to this meeting.

The key messages of the Audit Findings Reports were that Grant Thornton intended to issue an unqualified audit opinion on both the County Council and the Cumbria LGPS sets of 2016/17 Accounts. There were no recommendations in the Audit Findings Reports in relation to the financial statements.

Grant Thornton also intended to issue an “except for” Value for Money conclusion for Cumbria County Council in respect of securing economy, efficiency and effectiveness in the use of resources. The “except for” conclusion was in relation to the ongoing impact of the “inadequate” Children’s Services Ofsted inspection published in May 2015 and the outcome of the contractual dispute and the Council’s “lessons learned” review. With the exception of the matters reported above the Auditors were satisfied that in all significant respect the Council put in proper
arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Assistant Director explained that the Audit and Assurance Committee was required to approve the audited set of accounts for the Council and Port of Workington at this meeting in accordance with the Accounts and Audit Regulations 2015, and the Council’s Constitution.

The Committee was also asked to consider the Letters of Representation, which provided Grant Thornton with assurance on the financial statements and governance arrangements upon which they would base their audit opinion.

The Assistant Director then took members through the recommendations contained within the report, and highlighted the following for members:-

• The unaudited accounts contained four misstatements in the primary statements, two of which were material and had been adjusted in the final audited accounts and two which were non material and had not been adjusted. There was no overall impact on the reported net financial position. In addition there were only a few minor changes required to disclosure notes.
• The audit also identified two further non material issues where management had chosen not to adjust the financial statements, and the reasons for the non-adjustment were set out on the covering report and have, therefore reported as unadjusted misstatements.

Members were delighted to note that the auditors had made no recommendations in relation to the Accounts and thanked the Assistant Director – Finance (S151 Officer) and her team for the outstanding work which had been done in relation to this, reflecting the improvement in performance over recent years.

The Audit Committee asked if it would be possible to differentiate in the accounts between local authority school and academies. The Assistant Director referred the committee to the notes to the Accounts which set out the number of schools in the County which were academies and those which were not.

RESOLVED that, members

(1) note the contents of this report;
(2) note the matters set out by Grant Thornton in the Audit Findings Report in relation to Cumbria County Council. In particular:-
   (i) The Key issues arising from the audit
   (ii) Audit Findings

(3) note the matters set out by Grant Thornton in the Audit Findings Report – Cumbria Local Government Pension Scheme Audit 2016/17. In particular:-
   (i) The Key Audit and Financial Reporting Issues
   (ii) Audit Findings
(4) approve management’s decision not to adjust for the items raised in the unadjusted misstatements section of the CCC Audit Findings Report;

(5) agree the Letters of Representation on behalf of the Council in respect of the two sets of accounts to enable Grant Thornton to issue audit opinions on the accounts and authorise the Assistant Director – Finance, as the Council’s Section 151 (Local Government Act 1972) Officer to sign the letters;

(6) approve the Cumbria County Council Accounts 2016/17 which incorporates the Cumbria Local Government Pension Scheme Accounts on behalf of the Council;

(7) approve the Port of Workington Harbour Accounts 2016/17 on behalf of the Council;

(8) authorise the Assistant Director – Finance, as the Council’s Section 151 (Local Government Act 1972) Officer to sign the three sets of accounts on behalf of the Council;

(9) agree the completed Action Plan to the Audit Findings Report for the Council.

(A) Cumbria County Council Letter of Representation

Members received the representation letter to the Director of Grant Thornton regarding the Group Financial Statements of Cumbria County Council and its subsidiary undertakings for the year ended 31 March 2017 for the purpose of Grant Thornton expressing an opinion as to whether the group and parent financial statements gave a true and fair view in accordance with international reporting standards and the CIPFA/LASAAC Code of Practice on local Authority Accounting.

Discussion for this item took place at Agenda Item No. 10 – (Minute No. 27 refers)

(B) CLGPS Letter of Representation

The Audit and Assurance Committee received the letter of representation for Cumbria Local Government Pension Scheme (Cumbria LGPS) – Financial Statements for the year 2016/17.

This representation letter was provided in connection with their audit of the financial statements of Cumbria LGPS (‘the Fund’) for the year ended 31 March 2017 for the purpose of Grant Thornton expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code
of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

Discussion on this item took place at Agenda Item No. 10 – (Minute No 27 refers)

(C) Cumbria County Council Audited Accounts Financial Report 2016/17

Discussion for this item took place as part of Agenda Item No.10 (Minute No. 27 refers)

(D) Port of Workington Statement of Accounts 2016/17

Discussion for this item took place as part of Agenda Item No. 10 (Minute No. 27 refers)

28 AUDIT FINDINGS REPORT FOR CUMBRIA COUNTY COUNCIL 2016/17

Members considered a report from Grant Thornton which highlighted the key findings arising from their audit that were significant to the responsibility of those charged with governance, which for Cumbria County Council was the Audit and Assurance Committee.

As auditor Grant Thornton was responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which was directed towards forming and expressing an opinion on the financial statements that had been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The Associate Director from Grant Thornton guided members through the report in detail, and highlighted that two misstatements were identified to primary statements that management had amended in the final set of financial statements. The two adjusted misstatements, which were classification only in nature, and need to be considered in relation to the Council’s value of Property, Plant and Equipment (PPE) of £1.062 billion were:

- Reclassification of £14.729 million Port of Workington assets was adjusted within Property, Plant and Equipment (PPE) to reclassify from infrastructure to land and buildings (£11.527m) and surplus assets £3.202m. The assets had been classified as infrastructure since 2009/10. The reclassification has no impact upon the net financial position, or to the total of the PPE balance; and
- A prior period adjustment was identified to the 31st March 2016 Balance Sheet to move £15 million classified as Cash and Cash Equivalent (90 days or less notice) into Short Term Investments (more than 90 days notice) for a 100 days notice bank account which was incorrectly classified. The 31st March 2017 classification is correct.
Two misstatements had also been identified, which had remained unadjusted by management:-

- the PPE balance for buildings and the Revaluation Reserve on one school were both overstated by £0.9 million on a school valued at £12.040m. This was due to an error in a manual calculation by the Valuer in the valuation. There were quality assurance processes in place in both Property and Finance departments. In Property a random sample of valuations are checked during the year and in Finance both the percentage and value change since the previous valuations are calculated to identify any outliers. In this case neither the actual nor the percentage increase were outside of the expected range. There were no other errors in the sample selected by the Auditor; and

- the Capital Grants and Contributions Unapplied Account (CGUA) includes £1.638m of revenue contributions to capital projects which should be designated as an earmarked reserve. The items within this balance were not capital grants or capital external contribution, they were earmarked elements of revenue contributions.

The Audit Manager took members through the key messages arising from the audit of the Council's financial statements which were:-

- the Council had again achieved a high quality standard of financial reporting for 2016/17 in terms of compliance with the CIPFA Code of Practice; and
- working papers were produced to a high standard, with an effective response time to audit queries, and there were no recommendations within the report relating to the financial statements with one recommendation relating to value for money

The Chair thanked the Associate Director, the Audit Manager and officers of the Council who had contributed to the work of the audit findings.

29 AUDIT FINDINGS REPORT FOR THE CUMBRIA LOCAL PENSIONS SCHEME 2016/17

Grant Thornton presented a report which highlighted the key issues affecting the results of Cumbria Local Government Pension Scheme ('the Scheme') and the preparation of the Scheme’s financial statements for the year ended 31 March 2017.

It was also used to report the audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act'). Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), they are required to report whether, in their opinion, the Scheme's financial statements give a true and fair view of the financial position of the Scheme.

The Associate Director outlined the key audit and financial reporting issues to members, and explained that although their audit was substantially complete procedures were still being finalised in the following areas:-
• completion of the final specialist partner review
• reviewing the final version of the financial statements;
• obtaining and reviewing the management letter of representation; and
• updating their post balance sheet events review, to the date of signing the opinion.

No adjustments had been identified that would impact upon primary statements and any adjustments identified were within memorandum disclosure notes only, all of which management had amended in the final set of financial statements.

Adjustments noted within memorandum disclosure notes were as follows:-

• note 10h fair value hierarchy had £10.413 million categorised as level 2 investments, when the correct category was level 1. The comparator for 2015/16 of £8.813 million was also amended; and
• pension officers identified at the start of the audit two errors within the mix of note 10i for the reconciliation of fair value measurements within level 3. This included a transposition error and £3.72 million classified in the wrong heading.

The Audit Manager highlighted other key messages arising from the audit of the Scheme's financial statements. These were:-

• the Pension Scheme officers have produced good quality financial statements for 2016/17, in terms of both compliance with the CIPFA Code of Practice and supporting working papers;
• the Pension Scheme officers responded to audit queries timely including those relating to the technical review questions;
• the cyclical specialist technical review of the financial statements raised minor issues which management amended; and
• there were no recommendations made as part of the audit report.

The Associate Director reported that Grant Thornton anticipated providing a unqualified audit opinion in respect of the financial statements and anticipated an unqualified opinion on the Annual Report.

The Chair thanked the Associate Director, the Audit Manager and officers of the Council who had contributed to the work of the audit findings.

30 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE

The Forward Plan was noted with the following amendments:-

5 January 2018

1. Remove Update on Amey Action Plan, as this would be included as part of the Annual Governance Statement Action Plan Progress Update
2. Add Treasury Management Strategy
20 March 2018

Add Internal Audit External Quality Assessment

31 DATE & TIME OF NEXT MEETING

The next meeting of the Audit and Assurance Committee will be held on 5 January 2017 at Cumbria House, Botchergate, Carlisle at 10.30am.

The meeting ended at 1.45 pm
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CUMBRIA PENSIONS COMMITTEE

Minutes of a Meeting of the Cumbria Pensions Committee held on Tuesday, 19 September 2017 at 11.00 am at Cumbria House, Carlisle

PRESENT:

Mr MH Worth (Chair)

County Councillors

Mr J Airey
Mr NH Marriner (Vice-Chair)

Mrs H Wall
Mr DS Fairbairn

District Council Representative
Ms G Troughton

Employee Representatives
Mr K McDonald
Mrs T Barber

Other Representatives:-

Mr A Sutherland - Investment Advisor
Mr T Gardener - Investment Advisor

Also in Attendance:-

Mrs J Crellin - Assistant Director - Finance (s151 Officer)
Ms S McGill - Technical Finance Officer – Pensions & Investments
Ms F Miller - Senior Manager - Pensions & Financial Services
(Deputy s151 Officer – LGPS)
Ms D Purvis - Finance Manager – Pensions, Investments &Treasury
Mr P George - Group Finance Manager – Pensions, Investments & Insurance
Ms L Taylor - Finance Manager – Pensions, Investments & Governance
Miss H English - Democratic Services Officer
Ms G Welbourn - Technical Finance Officer – Pensions & Governance

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr P Thornton, Mr S Haraldsen and Mr S Collins.
2 TERMS OF REFERENCE AND MEMBERSHIP

The terms of reference and new membership following the County Council elections were noted.

The Chair welcomed new the Members to the Committee and thanked the outgoing Members for their work on the board over the previous four years. The Chair also gave thanks to Mr S Collins as the previous Vice-Chair and welcomed the new Vice-Chair Mr N Marriner.

3 DISCLOSURES OF INTEREST

There were no disclosable pecuniary interests declared at the meeting.

4 EXCLUSION OF PRESS AND PUBLIC

RESOLVED, that the Press and Public be excluded from the meeting during consideration of the following agenda items on the grounds that they may contain exempt information as defined under Paragraph 3 of Part 1 Schedule 12A of the Local Government Act 1972 relating to the financial or business affairs of particular individuals:

- Part two appendices discussion from agenda item 11 (Monitoring report for the period from January to June 2017)
- Part two appendices discussion from agenda item 15 (Implementation of BCPP Asset Management Company)
- Agenda Item 18 – Verbal Update on Emerging Issues
- Agenda Item 19 – Investment Sub Group Activity Report to September 2017 including Annual Governance Reviews
- Agenda Item 20 – Annual Performance Review

5 MINUTES

RESOLVED, that the minutes of the meeting held on 7 March 2017 were confirmed as a correct record and thereupon signed by the Chair.
6  REPRESENTATION FROM NON COUNTY COUNCIL EMPLOYERS AND
   DISTRICT COUNCILS

Nothing was raised on this occasion.

7  SCHEDULE OF FUTURE MEETINGS

The Committee noted future meetings, and highlighted the next meeting of the
Pensions Committee would be held on 5 December 2017 at Cumbria House,
Carlisle.

8  CUMBRIA LGPS BOARD UPDATE

The board received a verbal update from the Assistant Director – Finance (s151
Officer) which advised the Committee of recent work of the Cumbria Local
Government Pension Scheme (LGPS) Board.

The Committee were informed that there had been no further meetings since the
last meeting of the LGPS board and as a result there was nothing significant to
report back to the Committee on.

Deirdre Burnet (Vice- Chair of Cumbria LGPS Local Pension Board) attended the
Strategy Review briefing session held before this meeting and stayed for the rest of
the meeting as an observer.

9  STRATEGY REVIEW RECOMMENDATIONS

A report was presented by the Assistant Director – Finance (s151 Officer) which
informed Members of progress on the review concerning investment strategy of the
Fund.

A briefing session was provided to all Committee Members prior to commencement
of the public meeting to assist the Committee in its consideration of this agenda
item.

Members were informed that Mercer Ltd had been appointed to undertake a review
of the investment strategy of the Fund following a competitive tendering process.
This was to provide an independent opinion as to whether the investment strategy
remains fit for purpose following the triennial valuation.

In summary Mercer Ltd had concluded that “the Fund’s investment strategy was in
good shape with no material changes required”. However a number of options were
proposed for consideration that may be of benefit to the Fund going forwards,
including:
- Considering options for “banking” a proportion of recent funding level improvements;
- Maintaining the currently held index linked gilts despite the current high valuations;
- Increasing the speed of building up the defensive allocation;
- Adopting clearer definitions for the opportunistic and defensive portfolios.

RESOLVED, that the Committee;

(1) note the report and findings by Mercer Ltd which reviews the Fund’s Investment Strategy;

(2) direct Officers and Advisors to undertake work to assess, options to assess the management of the risk of potential employer contribution rate increases at the next valuation and in the longer term, and

(3) request the Investment Sub Group (ISG) review this work and recommend to the Pensions Committee in December 2017 a proposed course of action to address the risks.

10 TRIENNIAL VALUATION 2016 UPDATE

A report was presented by the Assistant Director – Finance (s151 Officer) which provided Members with a final update to the progress on the 2016 Triennial Actuarial Valuation of the Cumbria LGPS.

Members were informed that by the 31st of March 2017 the valuation process was complete and the Actuarial Valuation Report including the Rates and Adjustments Certificate by the Pension Fund’s contracted Actuary – Mercer Ltd was formally published.

Members were also informed that all employers within the Fund had now been informed of their actual contribution rates that became effective from 1st April 2017.

The Group Finance Manager explained that the County Council, together with ten other employers within the fund, elected to pay their 2017/ 2020 historic deficit contributions early, thereby enabling them to take account of a discount for early payment. In addition to this it was noted that the County Council and two other employers opted to pay an estimate of their 2017/18 future service contribution at the start of the financial year which therefore allowed them to take advantage of another discount for early payment (there will be a ‘true up’ of the values paid at the end of the financial year). Neither of these options were of detriment of the Fund or its other employers.

The Committee noted that there would be no further updates on this matter until preparations commence for the 2019 triennial valuation as the 2016 triennial valuation has now been finalised.
RESOLVED, that the Committee note;

(1) the publication of the Actuarial Valuation Report including the rates and adjustments certificate by Mercer Ltd, the Pension Fund’s contracted Actuary, and

(2) that all activities required to finalise the triennial valuation process have been completed in accordance with regulatory requirements and the timetable previously approved by Pensions Committee.

11 MONITORING REPORT FOR THE PERIOD FROM JANUARY TO JUNE 2017 (PART 1 ITEMS)

Consideration was given to a report by the Assistant Director – Finance (s151 Officer) which advised Members on material risks, administration, investment performance, governance and policy issues of the Fund for the two quarters ending 31 March 2017 and 30 June 2017, governance issues or national regulatory changes and an outline of the performance of the whole portfolio and movement in liabilities over that period.

The Committee was informed that the due to the cancellation of the Pensions Committee meeting in June 2017, relevant business that would have been considered at that meeting had been included with the agenda today.

- Risk Management
Members were presented with a risk register that outlined 22 key risks to the Fund. It was advocated that there were no red risks, 6 amber risks and 16 green risks. In addition to this, the likelihood of risk relating to the implementation of Markets in Financial Instruments Directive (MiFID ii) had reduced following the publication of the FCA guidance.

It was also raised by Mr Gardener as an independent advisor that he considered the transition of assets to the Pool will present major risks and the clarification of asset transition arrangements to the company is an area of continuing development. The Senior Manager - Pensions & Financial Services (Deputy S151 Officer – LGPS) informed the Committee that management of the transition of assets to BCPP Ltd was a key issue on the agenda for the BCPP Officer Operations Group and would be a matter of priority for the Fund over the medium term

- Pensions Administration
The Committee were informed that performance from Your Pension Service (YPS) had exceeded targets in 2016/17 and continued to progress in reviewing member data against the Guaranteed Minimum Payment Scheme. It was highlighted that discussions were underway with YPS to include additional performance indicators to review the whole system approach of member experiences in future. In addition to this there had been a number of employer movements between 1st January 2017 and 30th June 2017. As of the 30th June there were 132 employers in the Fund.
➢ Investment Management
As at the 31st March 2017 the Fund had increased its funding level to 94.5%. the Fund value had increased to £2,493 million at 30th June 2017, showing performance ahead of benchmark in all periods.

➢ Oversight and Governance
The Committee were informed that the class action against Royal Bank of Scotland had been settled. There were no legal breaches to report and four Fund discretions had been applied during the quarter.

Following a competitive tender process DLA Piper UK LLP retained the contract for specialist Legal Services for the Fund.
The Fund was jointly tendering with Lancashire Pension Fund for the provision of Actuary Services at this time, with the contract due to cease at the end of September 2017.

➢ Oversight and Governance – Policy & Regulation
The report noted that the Fund was working with YPS to ensure appropriate arrangements are in place to comply with the new European Regulations relating to General Data Protection from May 2018. A report had been prepared for the Scheme Advisory Board and the Department for Education by PricewaterhouseCoopers which set out considerations for academies in the LGPS. Members were advised that the Committee may be required to consider the implications of future policy changes in this area and the potential impact this may have on the Fund.

RESOLVED, that the Committee;

(1) receive and note the monitoring of the Fund for the period from 1st January 2017 to 30th June 2017,

(2) approve applications to join the Fund from Orian Solutions relating to their contract for the provision of cleaning services at Queen Elizabeth Grammar School and SLS Cumbria Ltd relating to their contract for the provision of cleaning services at Arnside Academy,

(3) increase the 2017/18 Fund budget from £5.784m to £5.814m to account for £0.030m of re-profiled costs associated with the development of BCPP Ltd, and

(4) continue with the current practice of delegating discretionary power associated with the payment of death grants to the S151 Officer in consultation with the Pensions Committee Chair and Vice Chair.
12 ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2017

The Committee considered a report by the Assistant Director – Finance (S151 Officer) which presented the draft Annual Report and Accounts of the Cumbria Local Government Pension Scheme 2016/17. The report contained details of the management and financial performance of the Fund for the year to 31st March 2017 and the Fund’s governance arrangements.

Members were informed that the audit review by Grant Thornton was almost complete and a draft Audit Findings Report had been prepared. Once the final report is received and Accounts approved by the Audit Committee the final Annual Report and Accounts of the Cumbria LGPS 2016/17 would be published on the Council’s website.

The Chair thanked Officers for their hard work in preparing the report.

RESOLVED, that Members;

(1) submit to the Audit and Assurance Committee (subject to any final Audit amendments) the Cumbria LGPS Accounts 2016/17 for approval on behalf of the Council, and

(2) approve for publication (subject to any final amendments) the Cumbria LGPS Annual Report and Accounts 2016/17 (including the Governance Compliance Statement).

13 MIFID II

Consideration was given to a report by the Assistant Director – Finance (S151 Officer) that outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 (“MiFID II”) and in particular the risk to the Council, as Administering Authority of becoming a retail client on the 3rd of January 2018 when the regulation is enacted.

The Group Finance Manager explained that Members needed to be aware of the investment protections the Fund would inherit in January as a retail client, but that those same protections would not allow the current investment strategy to be implemented.

Members were therefore advised that the Administering Authority should, on behalf of the Fund, submit applications to opt up to “elective professional client” status, with all current managers promptly in order to ensure it could continue to implement an effective investment strategy. Members were also advised of the potential risks and benefits in doing so. The independent advisors indicated that they wanted it recorded that they both agree this is the correct course of action for the Fund. Members considered the issue and in agreeing the recommendations, requested that a further report be brought to the Committee in December to inform Members of work undertaken as a result of their decision made.
RESOLVED, that the Committee;

(1) note the potential impact on the Fund’s investment strategy of becoming a retail client with effect from 3 January 2018,

(2) agree that applications from the Administering Authority for opting up to elective professional client status should be made on behalf of the Fund with all current managers promptly in order to ensure it can continue to implement an effective investment strategy,

(3) choose to opt up for all services offered by each financial institution rather than individual services due to the efficiency of this approach and to enable the Fund to explore new products without future requirement to opt up with those managers,

(4) in opting up to elective professional client status, the Pensions Committee acknowledge and agree to forego the protections available to retail clients, and

(5) receive a further report in December 2017 which provides details of the progress made since the September 2017 meeting.

14  BCPP JOINT COMMITTEE MINUTES

The Chair introduced the minutes of the Border to Coast Pension Partnership meeting held on 6 June 2017, the Committee noted the minutes.

15  UPDATE ON POOLING OF PENSIONS ASSETS ACROSS THE LGPS - UPDATE VII

The Committee was provided with a report by the Assistant Director – Finance (S151 Officer) which updated Members on the progress made following the decision on 16 February 2017 at Council that Cumbria join the Border to Coast Pension Partnership Ltd (BCPP) as its chosen approach to meet the regulatory requirement to pool assets in the LGPS.

The Senior Manager - Pensions & Financial Services (Deputy S151 Officer – LGPS) informed Members of progress made including:

- Completion and enactment of the required legal documentation to bring the Joint Committee into being as a formal legal entity and the incorporation of the BCPP Ltd Company.

- The holding of the first Joint Committee meeting on 6 June 2017.
➢ The progression of recruitment of the BCPP Ltd executive team, with the appointment of Company Chair and the selection of an approved candidate for the position of Chief Executive Officer.

➢ The appointment of the company’s bankers, payroll providers and the progression of the procurement to secure the provision of BCPP Ltd’s main service providers.

➢ Progress towards completion of the FCA advice permissions application pack.

Members were advised that further work was required to support the development of BCPP Ltd and to ensure the Fund has the most appropriate governance and transition management processes in place.

RESOLVED, that the Committee note the progress on development of the BCPP.

16 UPDATE ON POOLING OF PENSIONS ASSETS ACROSS THE LGPS - UPDATE VII (PART 2 APPENDICES)

Members received the Part Two appendices for item 15 – Update on Pooling of Pension Assets across the LGPS.

RESOLVED, that the appendices be noted.

17 MONITORING REPORT FOR THE PERIOD JANUARY TO JUNE 2017 (PART 2 ITEMS)

The Assistant Director – Finance (S151 Officer) presented the Part Two items from the Monitoring Report for the period January to June 2017.

The report provided details of recorded non-compliance events which arose from late payments and late data submission.

RESOLVED, that the Pensions Committee receive and note the quarterly monitoring part 2 items of the Fund for the period 1 January 2017 to 30 June 2017.

18 VERBAL UPDATE - EMERGING ISSUES

The Committee were advised that other than the agenda items there were no other emerging issues to report.
A report was presented by the Assistant Director – Finance (S151 Officer) which outlined activity of the Investment Sub Group, any decisions made by the S151 Officer and the proposed future work schedule in respect of the Investment Sub Group.

RESOLVED, that the Committee

(1) Note the approval of an uplift in the property manager’s limit to help ensure the strategic allocation to property stays within the agreed range of 8-10% per the Investment Strategy Statement;

(2) Note the bond manager’s portfolio limit for Tier 2 investments remain limited to 5% at this time;

(3) Note the overall performance of the Fund from January 2017 to June 2017 and that, at a specific manager level, while one manager remains on watch there are no matters of significant concern to warrant escalation from the individual manager performance reviews;

(4) Approve the proposed work programme of the ISG for the next reporting period, adding the additional work agreed at minute 9; i.e. that the Investment Sub Group (ISG) recommend, to Pensions Committee in December 2017, a proposed course of action to address the risk of potential employer contribution rate increases at the next valuation and in the longer term.

The Committee received a presentation from a representative of State Street – the Funds independent performance measurement Analysts which provided the annual performance review for the period end March 2017.

The presentation provided information on:-

- Market Background
- Strategic Benchmark
- Market Data
- Total Fund Analysis
- Manager Analysis
- Performance Targets and Information Ratios

RESOLVED, that the presentation from State Street be noted.
21 CLOSING COMMENTS

The Chair of the Pensions Committee thanked Officers and Advisors for their hard work in preparing the detailed and informative reports.

The meeting ended at 14:30pm
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URGENT DECISIONS

ADVICE OF CORPORATE DIRECTOR

1.0 EXECUTIVE SUMMARY

1.1 This report notifies members of circumstances in which urgent decisions have been taken in line with the Council’s Constitution since the last meeting of the Council.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 The report contributes to the delivery of the Council Plan objective of being a modern and efficient Council by ensuring compliance with the requirements in the Constitution in respect of decisions that are taken in circumstances of urgency.

3.0 RECOMMENDATION

3.1 That members note the report.

4.0 BACKGROUND

4.1 Key Decisions to be taken by Cabinet or a Corporate Director must be advertised for at least 28 clear days (i.e. working days) prior to the decision being taken. Where this rule cannot be complied with owing to the urgency of the decision, the Council’s Constitution permits Key Decisions to be taken in the following circumstances:

4.2 Access to Information Procedure Rule 15 - notice is sent to the Chair of the relevant Scrutiny Advisory Board and is published on the website and at the Council Offices, and five clear days elapse before the decision is taken; and

4.3 Access to Information Procedure Rule 16 - if it is not possible to give five clear days’ notice, the approval of the Chair of the relevant Scrutiny Advisory Board is sought and notice is published on the website and at the Council Offices.
4.4 The Chief Executive is empowered under the Scheme of Delegation to Officers to take urgent decisions where delay would seriously prejudice the Council’s or the public interest to the extent that it is appropriate to use emergency powers.

4.5 Decisions of the Cabinet, Officer Key Decisions and certain decisions of local committees are subject to the rules about call in. The call in procedure does not apply where the decision being taken in urgent and there is a process in the Overview and Scrutiny Procedure Rules for exempting decisions from call in.

4.6 Decisions taken as a matter of urgency must be reported to the next available meeting of Council, with the reasons for urgency.

4.7 Since the last meeting of Council, three decisions have been taken using the Council’s urgency procedures. The decisions and the reasons for urgency are set out in the Appendix to this report.

5.0 **RESOURCE AND VALUE FOR MONEY IMPLICATIONS**

5.1 Decisions 1 and 2 set out in Appendix 1 related to securing agreement with the NHS for Better Care Fund expenditure of £12.112mm in 2017-18 and £16.630m in 2018-19, across a number of organisations including the Council to meet social care needs, reduce NHS pressures and support the social care market, Failure to reach and make the decision may have put the funding at risk of clawback by the Department of Health.

5.2 There are no resource of value for money implications of Decision 3, the decision enabled the award of contract for Night Services which is funded through the Better Care Fund.

6.0 **LEGAL IMPLICATIONS**

6.1 The legal considerations are set out in the body of the report.

7.0 **CONCLUSION**

7.1 Members are asked to note this report.

Dawn Roberts  
Corporate Director – Resources and Transformation  
7 November 2017

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**APPENDICES**  
*Appendix 1 – Schedule of Decisions*
Electoral Division(s): All
Executive Decision

Key Decision

If a Key Decision, is the proposal published in the current Forward Plan? No

Is the decision exempt from call-in on grounds of urgency? N/A

If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained? N/A

Has this matter been considered by Overview and Scrutiny? No

Has an environmental or sustainability impact assessment been undertaken? N/A

Has an equality impact assessment been undertaken? N/A

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
No previous relevant decisions.

CONSIDERATION BY OVERVIEW AND SCRUTINY
Not considered by Overview and Scrutiny.

BACKGROUND PAPERS
No background papers.

RESPONSIBLE CABINET MEMBER
The Leader of the Council

REPORT AUTHOR
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## APPENDIX 1

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DECISION</th>
<th>DATE</th>
<th>REASON</th>
<th>APPROVAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Better Care Fund</td>
<td>Approval by the Chief Executive of the proposed use of 2017-2018 i BCF.</td>
<td>29 September 2017</td>
<td>A decision on the use of the 2017-2018 Improved Better Care Fund was required by NHS England by 2 October 2017.</td>
<td>Chief Executive’s emergency powers under Part 3 paragraph 6.1 of the Constitution.</td>
</tr>
<tr>
<td></td>
<td>Non-Key Decision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Better Care Fund</td>
<td>Approval of proposed submission for 2017-2019 i BCF.</td>
<td>15 September 2017</td>
<td>To ensure that the Improved Better Care Fund submission could be submitted by the due date.</td>
<td>Exemption from Call In approved by the Chair of Adults Scrutiny Advisory Board on 6 September 2017.</td>
</tr>
<tr>
<td></td>
<td>Key Decision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support at Home Night Services</td>
<td>Award of contract for Night Services for 9 months from 1 October 2017 for £718,785 to Mears Care Limited.</td>
<td>25 September 2017</td>
<td>To enable contract implementation by 1 October 2017 following procurement using the negotiated procedure without prior publication (of a contract notice) under Regulation 32 of the Public Contracts Regulations.</td>
<td>Exemption from Call In approved by the Chair of Adults Scrutiny Advisory Board on 6 September 2017.</td>
</tr>
</tbody>
</table>