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21 September 2020

To: Chair – Councillor Tony Mason
Vice-Chair – Councillor Nick Sample
Members of the Audit and Corporate Governance Committee –
Councillors John Batchelor, Mark Howell, Dr. Ian Sollom, Heather Williams
and Eileen Wilson

Quorum: 3

Substitutes: Councillors Nick Wright, Bunty Waters, Tom Bygott,
Grenville Chamberlain, Graham Cone, Clare Delderfield and
Dawn Percival

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be a **Virtual meeting - Online** on **Tuesday, 29 September 2020 at 9.30 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

Agenda		Pages
1.	Apologies for Absence To receive Apologies for Absence from Committee members.	
2.	Declarations of Interest	
3.	Minutes of Previous Meeting To confirm the minutes of the meeting held on 9 July 2020 as a correct record.	1 - 4

4.	Annual Governance Statement and Local Code of Governance	5 - 26
5.	Statement of Accounts 2018/19	27 - 150
6.	External Audit: Outline Audit Plan 2018/19	151 - 194
7.	Annual External Audit Letter for 2017/18	195 - 216
8.	Treasury Management Annual Report 2019/20	217 - 232

Information Items

- | | |
|------------|--|
| 9. | Matters of Topical Interest |
| 10. | Date of Next Meeting
To note the next meeting as 24 November 2020 at 9:30am. |

Guidance Notes for Members of the Public for Remote Meetings

Members of the public are welcome to view the live stream of this meeting, except during the consideration of exempt or confidential items, by following the link to be published on the Council's website.

Any person who participates in the meeting in accordance with the Council's procedure rules, is deemed to have consented to being recorded and to the use of those images (where participating via video conference) and/or sound recordings for webcast purposes. When speaking, members of the public should not disclose any personal information of any individual as this might infringe on the rights of that individual and breach the Data Protection Act.

For more information about this meeting please contact democratic.services@scambs.gov.uk

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Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Thursday, 9 July 2020 at 3.00 p.m.

PRESENT: Councillor Tony Mason – Chair
Councillor Nick Sample – Vice-Chair

Councillors: John Batchelor
Eileen Wilson
Heather Williams
Nick Wright

Officers: Rory McKenna
Patrick Adams
Peter Maddock
Michael Millar
Deputy Head of Legal Practice/Monitoring Officer
Senior Democratic Services Officer
Head of Finance
Interim Accountant

Auditors: Suresh Patel
Mark Russell
Jonathan Tully
Ernst & Young
Ernst & Young
Head of Shared Internal Audit

Councillors Brian Milnes and John Williams were in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received Councillor Nick Sample and Councillor Mark Howell.
Councillor Nick Wright substituted for Councillor Mark Howell.

Due to Councillor Brian Milnes' appointment to Cabinet, he agreed to participate at the meeting as a councillor in attendance and not as a member of the Committee.

2. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a non-pecuniary interest as an unpaid Director of Ermine Street Housing Ltd.

3. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting held on 19 December 2019 were agreed as a correct record, subject to the following amendments:

- The last sentence of the first paragraph of minute 6 was amended to read "... Mark Russell, who had been an audit manager of the Council's accounts since 2019".
- The first sentence of the second paragraph of minute 6 was amended to read "... the external auditors had issued a qualified value for money conclusion on finance reporting".

4. INTERNAL AUDIT PLAN 2020-21

The Head of Internal Audit introduced the draft Internal Audit Annual Plan and Strategy, for 2020/21. He explained that due to the current uncertainties the Plan was for 6 months instead of 12. Guidance from both CIPFA and the Institute of Internal Auditors had advised auditors to be flexible and the Plan reflected this. He advised that whilst there was a potential risk that less assurance work could impact on the ability of the Internal Audit to provide a full assurance opinion on the annual governance plan, he currently saw no

cause for concern.

Red, Amber and Green (RAG) ratings

The Head of Internal Audit agreed to update the reports in the Plan to provide RAG ratings and to circulate this to the members of the Committee.

Delays in audits due to Covid-19

The Head of Internal Audit estimated that 3-4 audits had been delayed due to the impact of the Covid-19 virus. He agreed to identify which audits had been delayed and circulate this information to the Committee.

Impact of Covid-19

The Head of Internal Audit assured the Committee that he and his team had scrutinised the processing of Covid-19 related grants from the Government and had found no evidence of fraud. Their work was ongoing.

Suresh Patel, External Auditor, confirmed that the Council had carried out an assessment on the impact of Covid-19 on its income and expenditure.

The Head of Finance reported that approximately £1.6 million had been received from the Government and more was expected to cover lost income.

Capital Investment Programme

The Head of Internal Audit stated that the audit on the Council's Capital Investment Programme would be concluding shortly.

A vote was taken and the Audit and Corporate Governance Committee with three votes in favour and two abstentions (Councillors Heather Williams and Nick Wright)

AGREED To approve the draft Audit Plan and Strategy

A vote was taken the Audit and Corporate Governance Committee unanimously

AGREED To approve the supporting Charter and the Code of Ethics.

5. EXTERNAL AUDIT RESULTS REPORT 2017-18 - ADDENDUM UPDATE

Suresh Patel presented this report on the External Audit of the Council's financial statements for the year ended 31 March 2018. He explained that it had been hoped to complete the audit of the 2017/18 accounts earlier, but the reconciliation had taken longer than expected and then the lockdown due to the Covid-19 pandemic had caused further delay. However, the External Auditors had made the necessary adjustments to be able to work remotely, so it was expected that work on the 2018/19 accounts and the 2019/20 accounts would not be delayed by any continuation of the lockdown.

Not material differences

In response to questioning, Suresh Patel explained that audit differences had been found in the Assets Held for Sale and the Capital Grants Received in Advance, but these were not materially significant to require an adjustment.

Record of expenses

It was noted that whilst the Council had accidentally destroyed records relating to councillors' register of interests for 2017/18, details of expenses paid to councillors were publicly accessible on the Council's website.

Audit fee

It was noted that External Audit had recognised that they were partly culpable for the extra work resulting in the compilation of the report and had adjusted their audit fee accordingly. Any dispute in the fee would be considered by the PSAA.

The Committee **NOTED** the report.

6. COMPLETION OF THE 2017/18 AUDIT OF THE ACCOUNTS

The Head of Finance explained that the audit of the 2017/18 Accounts had been completed and needed to be approved and issued as a final version.

2018/19 accounts

The Head of Finance expressed the hope that the 2018/19 accounts would be approved by the Committee at its meeting on 29 September 2020.

HRA Balance

In response to questioning, the Head of Finance explained that the reduction in the HRA balance from March 2018 to March 2020 was due to additional capital expenses caused by house building.

Planning fees

The Head of Finance agreed to investigate why there was an adverse variance in planning fees.

The Committee thanked the Head of Finance and his team for successfully completing the 2017/18 accounts.

The Committee unanimously

AGREED To approve the 2017/18 Statement Accounts in the expectation that an unqualified audit opinion will be issued by the external auditors in due course.

7. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) AMENDMENTS TO POLICY & UPDATE ON USE OF RIPA

The Monitoring Officer presented this report which sought the approval of the Committee on the revised policy and procedure on the use of covert surveillance under RIPA and to note the use of RIPA powers since the last meeting of the Committee.

The Committee **NOTED** that there had been no use of surveillance powers by the Council under RIPA between September 2019 to June 2020.

It was understood that amendments were required as the postholders included in the policy had left the Council. The new policy recommended that the Chief Executive be the Senior Responsible Officer and the Council's Monitoring Officer should also be RIPA's Monitoring Officer.

The Committee unanimously

AGREED the recommendations for amendments to the Council's RIPA policy, as detailed in Appendix A.

8. MATTERS OF TOPICAL INTEREST

The Committee thanked Councillor Brian Milnes for his work as a Committee member.

9. DATE OF NEXT MEETING

The Committee agreed to cancel the meeting scheduled for 28 July, as its business had already been discussed at this meeting. The Committee noted that its next meeting would be held on Tuesday 29 September at 9:30am.

The Meeting ended at 4.15 p.m.



Report To: Audit and Corporate Governance
Committee
Lead Officer: Head of Shared Internal Audit

29th September 2020

Annual Governance Statement and Local Code of Governance

Purpose

1. This report presents the draft Annual Governance Statement (AGS) for 2018/19, for approval by the Audit & Corporate Governance Committee.
2. The purpose of this report is to provide an update on the Annual Governance Statement, including any progress of actions identified in the previous year, the annual review of effectiveness, to communicate any new governance issues, and provide an update of the Local Code of Corporate Governance.

Recommendations

3. Members of the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. To help complete this members should note:
 - the arrangements for compiling, reporting on and signing the AGS;
 - the progress made on issues reported in the previous year;
 - the current review of effectiveness
 - the issues considered for inclusion in the current AGS;

Reasons for Recommendations

4. The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement (AGS).

Background

Scope of the AGS

5. Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
 - The Council's policies are implemented in practice;
 - High quality services are delivered efficiently and effectively;
 - The Council's values and ethical standards are met;
 - Laws and regulations are complied with;
 - Required processes are adhered to;
 - Its financial statements and other published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.

Arrangements for compiling the AGS

6. The Accounts and Audit Regulations require the Council to review its governance arrangements, and prepare an AGS to accompany the Statement of Accounts. The AGS should communicate how we are complying with our Local Code of Governance.
7. The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance "Delivering Good Governance in Local Government Framework 2016" is used as a guide in compiling the AGS.
8. Arrangements for compiling the AGS have been coordinated through Internal Audit, with input from the key stakeholders and management.
9. Assurances from the work of the Internal Audit team have been reviewed and have been used to inform the AGS and its associated action plan. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

Arrangements for reporting on and approving the AGS

10. The Accounts and Audit regulations require the Committee to approve the AGS. Good practice guidance recommends the final version of the AGS is also signed by the Leader and Chief Executive. The AGS should reflect the governance matters from the relevant financial year, plus up to the date when the accounts are signed.
11. The final version of the 2017/18 AGS was approved with the accompanying Statement of Accounts. The draft 2018/19 AGS was published with the 2018/19 Statement of Accounts in the following month. Consequently, there was not any significant changes to the governance arrangements in the Council at the time of publication. The 2019/20 AGS is already drafted. Despite the short period between both the AGS 17/18 and AGS 18/19 being produced, this process still provides an opportunity for the Council to document what has happened in the 18/19 financial year, through the Review of Effectiveness.
12. The draft AGS is issued to the External Auditors to review as part of the draft Statement of Accounts. No further amendments have been requested at this stage.
13. Any material governance changes arising between the report date and the conclusion of the Statement of Accounts, may need to be recorded in the 2018/19 AGS if relevant. For example, we have added a paragraph reflecting the impact of Coronavirus. Further examples could include the current progress of the Statement of Accounts, plus any progress at delivering the action plan.
14. Members should approve the AGS, containing the tracked changes, appended to this report. The final, and formatted, version of the AGS also accompanies the Statement of Accounts.

Local Code of Corporate Governance

15. The preparation of the AGS and the Council's Local Code of Governance is undertaken in accordance with the guidance published by CIPFA. The guidance is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders.
16. Guidance suggests each local authority should develop and maintain a Local Code of Corporate Governance based on seven core principles, supported by sub-principles that should underpin the governance structure for the whole Council.

17. The Code stands as the overall statement of the Councils corporate governance principles and commitments and is reviewed annually. It is published on the [Council website](#).
18. The Code has been reviewed as good practice, and no changes were required for 2018/19. We have undertaken a thorough review as part of the 2019/20 AGS process and these will be shared with the Committee using tracked changes for reference.

Considerations

19. Key officers have been consulted in compiling the draft AGS and Local Code of Governance. The AGS is issued to Members of the Audit & Corporate Governance Committee and may need to be updated to reflect the governance framework up to the conclusion of the Statement of Accounts. Where further changes are made, we will provide members with a version showing tracked changes for clarity.

Implications, risks and opportunities

20. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, there are no significant implications or risks.

Effect on Strategic Aims

21. The annual review reflects the Strategic Aims of the Council, and may also inform development of future Strategic Aims where this helps to improve the governance framework.

Background documents

22. Background papers used in the preparation of this report:
 - Delivering Good Governance in Local Government (CIPFA 2016)
 - Accounts and Audit (England) Regulations 2015
 - CIPFA good practice guidance on AGS presentation

Report Author:

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Covering Introduction

This is a covering introduction for the Annual Governance Statement 2018/19 (AGS), recognising the revised timetable for concluding the accompanying Statement of Accountants.

The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance "Delivering Good Governance in Local Government Framework 2016" is used as a guide in compiling the AGS. Arrangements for compiling the AGS were coordinated through Internal Audit team, with input from the key stakeholders and management.

The AGS should reflect events in the relevant financial year, plus up to when the Accounts are approved by Committee. The document and action plan will continue to be developed during this period. The Covid-19 events in particular has had a significant effect on Councils since March 2020. Consequently, it is appropriate to reflect this in the AGS, and further updates may need to be included as guidance is issued from professional bodies and Central Government.

The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. As the final version of the 2017/18 AGS was approved in December 2019, and reflects governance issues up to the data of approval, and the draft 2018/19 AGS was published in January it is important to note:

1. It is good practice to include an action plan which demonstrates how the Council is improving its governance arrangements; and this has not significantly changed since the previous month;
2. Due to the time needed to approve the Statement of Accounts it is possible that further amendments may be required following consultation and review by the externally appointed auditors;

Despite the short period between both the AGS 17/18 and AGS 18/19 being produced, this still provides an opportunity for the Council to document what has happened in the 18/19 financial year, through the Review of Effectiveness.

An updated version of the Annual Governance Statement will be presented to the Committee with the Statement of Accounts.

The final version of the AGS, will accompany the Statement of Accounts for approval by the Committee, as required by the Accounts and Audit Regulations 2015.

Annual Governance Statement

Introduction and purpose

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it also provides value for money. It has to effectively manage its risks, and put in place proper arrangements for the governance of its affairs.

Definition of Corporate Governance

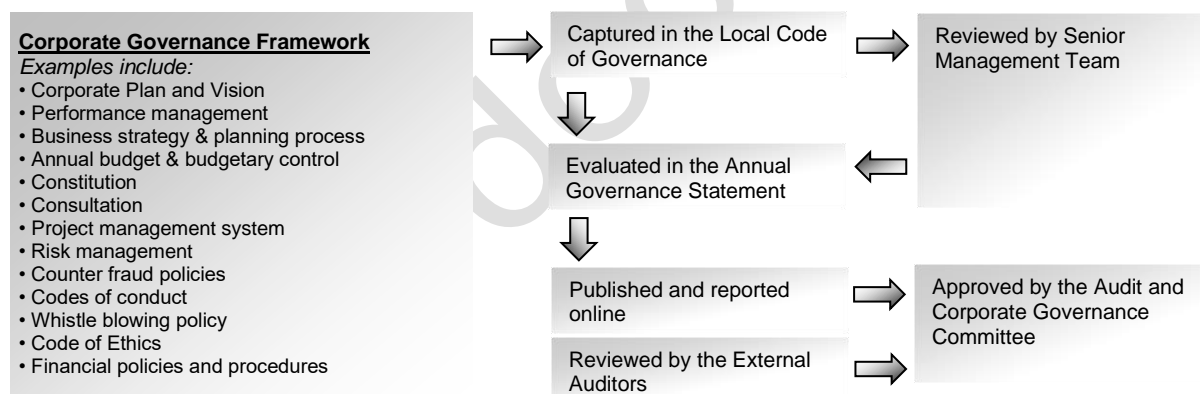
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

Good governance in the public sector means: *"achieving the intended outcomes while acting in the public interest at all times"*

The Governance Framework

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Council has a robust process for reviewing and updating the governance framework.



The governance framework for the 2018/19 financial year supports the Council aims and objectives, which are published on [our website](#)¹. The Vision states:

- Helping businesses to grow;
- Building homes that are truly affordable to live in;
- Being green to our core;
- Putting our customers at the centre of everything we do.

The Vision is supported by our [Business Plan](#)² which sets out four Priority Areas with specific and measurable actions.

¹ <https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/>

Performance against the [Business Plan](#), is published in the [Performance Page](#) of our website.

The governance framework has been in place at the Council for the year ended 31 March 2019, and up to the date of approval of the Statement of Accounts.

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in our [Local Code of Governance](#), which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability

² <https://www.scams.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/our-business-plan/>

Role and responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures and some of the key roles include:

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website .
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our website .
Executive Management Team	<p>The management team structure includes a strategic Executive Management Team of a Chief Executive and Directors, and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning.</p> <p>The Chief Executive, and the Executive Director – Corporate Services, retired³ during the year. The Council's Director of Health and Environmental Services was appointed to the role of Chief Executive on an interim basis until a new Chief Executive was appointed <u>and is now in post</u>.</p>
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by the Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our website .
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website .

³ <https://www.scambs.gov.uk/retirement-of-south-cambridgeshire-district-council-chief-executive/>

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

Statutory compliance

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Audit & Corporate Governance Committee and approved in advance of the Statement of Accounts.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

The Councils financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Other review and assurance mechanisms

Management have helped to review the Local Code of Governance, and also inform the Annual Governance Statement. In addition assurance can be provided from other sources, as detailed below:

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The [Annual Report](#) was presented to the Audit & Corporate Governance Committee in July 2019. This report outlined the key findings of the audit work undertaken during 2018/19, including any areas of significant weakness in the internal control environment.

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

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018/19, and this remains at a similar level to the previous year.

External Audit

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260), annual audit letter and annual report on the certification of claims and returns was presented to Audit & Corporate Governance committee.

For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.

Impact of Coronavirus

The pandemic Covid-19 has the potential to have a significant impact on the governance risk and control environment. Immediate impacts could include the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it is also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

The AGS considers the effectiveness of our Code of Governance, both during the financial year plus significant issues up to the time it is approved, and it is appropriate to recognise the longer-term impact of Covid-19.

In response to the pandemic the Council has implemented various measures through its business continuity framework, with continuous risk management in this period. This has helped us to maintain our governance arrangements, and further specific reference due to the impact of Covid-19 are included below where it helps to communicate the impact.

Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2017/18](#) which was approved by the Audit and Corporate Governance Committee in December 2019. This Annual Governance Statement for 2018/19 was been drafted in January 2020 and the previous action plan has been updated below, in the Opportunities for Improvement section.

Draft document

Review of effectiveness

The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. The review is informed by the work of senior officers who have responsibility for the development and maintenance of the governance framework, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates. In addition both the Corporate Management Team and the Audit and Corporate Governance Committee have participated in workshops to help develop the Annual Governance Statement. This helps us to identify what works well, and also opportunities for improvement.

The Council has a number of policies and procedures which are recorded in its Local Code of Governance. These are mapped to the 7 principles of good governance.

Ongoing good practice is recorded in the [Local Code of Governance](#). Additional examples of good practice from the 2018/19 financial year, and governance issues, considered when completing the review are recorded below as part of the review of effectiveness. The 2018/19 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2017/18 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts. As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

The [Performance Page](#) on the Council's website sets out details of how the examples below have contributed to the delivery of quality services and the Council's Corporate Plan objectives.

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
A Behave: integrity, ethical values, respect rule of law	<ul style="list-style-type: none"> The Civic Affairs Committee established a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. This has been recognised within the AGS as an opportunity for improvement. The Council committed to sign up to the Disability Confident scheme which meets the ambition to be an Employer of Choice for people with disabilities. Management have provided feedback that the framework of HR Policies supported them to ensure there are high levels of conduct and ethical behaviour, and there are low levels of non-compliance with Policies. 	<ul style="list-style-type: none"> Due to the volume of work, the Task and Finish Group has now planned for its recommendations to go to the Civic Affairs Committee and then to Council in the autumn 2020.
B Openness & stakeholder engagement	<ul style="list-style-type: none"> A Business Plan was developed for the 2019-24 period to set priorities for our communities and businesses. This included consultation and was published on our website. Cabinet discussed the decision-making process and the need to evaluate support for the Scrutiny Function. The Council consulted with its customers, including the Localised Council Tax Support Scheme, Greater Cambridge Housing Strategy, Licensing Policy statement, Gambling Act Policy Statement, and the Statement of Community Involvement which sets out the approach to community engagement in planning matters. Council agreed to introduce a twelve-month pilot scheme to allow the public to make written representations at full Council meetings without prior written notice. The Leader organised a series of talks at business breakfasts to enable discussions with local businesses on how the Council could facilitate and support business growth in South Cambridgeshire. 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
C Defining outcomes - economic, social, environmental	<ul style="list-style-type: none"> The Business Plan for 2019-24 set priorities for our communities and businesses and was approved at Council on 21 February 2019. Economic development is an overarching aspect of the plan, as well as housing, making the green agenda part of everything we do, income generation, and using our technology smartly. The Council has agreed to support a transition to “Zero Carbon by 2050 in the next local plan and are prioritising the elimination of single use plastics within the organisation. The Council established a new Climate and Environment Advisory Committee to advise the Portfolio Holder responsible for climate change and environmental sustainability. The Council reviewed its own internal policies, changing internal bins to encourage further recycling and make financial savings. The Council approved the new South Cambridgeshire Local Plan, as part of the development plan, following the Inspectors report. Cabinet adopted a new Local Development Scheme for Greater Cambridge, prepared jointly with Cambridge City Council, confirming the intention to prepare a joint Local Plan for Greater Cambridge, comprising the administrative areas of both Councils and a joint Cambridge Northern Fringe Area Action Plan. 	<ul style="list-style-type: none"> The Council has subsequently declared a Climate Emergency with regular meetings of the Climate and Advisory Committee.
D Determine interventions to achieve outcomes	<ul style="list-style-type: none"> Cabinet considered a report highlighting that South Cambridgeshire District Council faces an exciting but challenging future, operating in an environment with reducing resources and rising customer expectations. Officers had already begun to consider how best to meet these challenges and the report set out the next steps needed to make sure that the Authority was effectively resourced to face the future. Consequently, the Council commissioned an independent review of the Council to determine how the Council could best focus on delivering its priorities. This reflects the governance of shared services, having the right skills to be more commercial in our approach, and also investing to deliver a 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
	<p>return.</p> <ul style="list-style-type: none"> • Cabinet considered a report examining the justification and scope for a further three-year programme (2019-20 to 2021-22) of Service Support Grant funding of the voluntary and community sector and approved a further 3-year scheme. • Council agreed to bring forward lending of £13 million to Ermine Street Housing into 2018/19 by re-phasing the Capital Programme and bringing forward budget from future years to enable the Company to continue the business expansion as agreed by Cabinet and Council in November 2015. 	
<p>E Develop capacity and capability of entity</p>	<ul style="list-style-type: none"> • There have been various changes to the establishment of the Council, including the retirement of the Chief Executive, the Executive Director (as the responsible S151 officer) and resignation of the Executive Director with responsibility for Housing. This has been recognised in the "Role and responsibilities" section of the AGS. • Council received a report following the District Council Election, and a new Leader of the Council was appointed for the period 2018-22. Cabinet Members, and their respective roles, were then announced. • Cabinet considered actions for Task and Finish Groups to develop the entity, which included: regular evaluation of the effectiveness of Member training; streamline representation on outside bodies; review the approach and direction of travel for Member Development; undertake a comprehensive review of the Constitution; and review the Code of Conduct Complaints Procedure. • Cabinet considered a report outlining a revised Organisational Change policy and procedure. • The Council signed up to the Government's Disability Confident scheme. • The Council approved nominations to South Cambs Trading Ltd and Shire Homes Letting Ltd. 	<ul style="list-style-type: none"> • The Council has now successfully appointed a new Chief Executive and <u>has completed a review of the is currently undertaking a</u> Senior Management <u>team structure</u> <u>Review</u>.

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
<p>F Manage risk & performance, internal control, finance</p>	<ul style="list-style-type: none"> • Cabinet considered the provisional 2017-18 outturn position statement on General Fund, Housing Revenue Account (HRA) and Capital expenditure, including requests for budget rollovers from 2017-18 to 2018-19; statements on the 2017-18 year-end position plus the Council's corporate objectives and performance indicators, and the Strategic Risk Register. • An internal audit review of the Risk Management framework was completed. This provided reasonable assurance, concluding that the Council is risk enabled and that risk management and internal controls are embedded. Members attended Risk Management workshops and the Council developed the Strategic Risk Register so that it was aligned to the priorities of the new Business Plan. • The Council established a time limited cross-party Advisory Group to review and report on the potential impacts of Brexit on South Cambridgeshire and to recommend actions to mitigate those impacts where relevant and appropriate. Cambridge City Council were invited to appoint three representatives to serve as co-opted members. Four priorities were agreed to proactively manage the risks. • Cabinet approved business plans for each of the shared services and noted the annual reports for the services delivered in partnership. • The Council proactively wrote of bad debt, as required, also noting the good performance that in the last financial year the Council had ranked 3rd out of 326 local authorities for Council Tax collection and 25th for collection of business rates. • The Council proactively prepared for the implementation of the General Data Protection Regulations and the new Data Protection Act. • The Scrutiny and Overview Committee received performance reports on Customer Contact Service, Development Management, Shared Service, plus quarterly Position Statements on Finance Performance and Risk. The quarterly updates were reviewed and now include an "In flight project tracker" to help communicate project management progress. 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
<p>G Transparency, reporting, audit, accountability</p>	<ul style="list-style-type: none"> • The Council received an unqualified opinion on the statement of accounts for 2016/17. The accounts were approved in January 2018, which was later than planned, as final adjustments were completed and the valuation of the housing stock was reviewed. • External audits were completed on the 2017/18 group accounts, which provided assurance, and this was supplemented by a risk-based program of internal audit work. • The website has been refreshed to make information more accessible to customers and there has been an increase in the use of e-forms. The Council has launched Onevu, which is an 24/7 online customer portal designed to improve business processes and the customer experience. • Governance change included the Council moved to a system of pre-scrutiny, from post-scrutiny, noting that this would give Members more influence over shaping decisions, policy and strategy. Cabinet members are focussing on priority delivery, rather than service areas, and would take a whole cabinet approach to decision making. Cabinet meetings would be public and participation by Members and the public would be welcomed. • Cabinet agreed to publish the South Cambridgeshire Authority Monitoring Report 2017-2018 as part of a Local Plan and Housing Monitoring update. 	<ul style="list-style-type: none"> • For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources. • There has been a delay to concluding the 2018/19 accounts, and both the Council and the External Auditors are working to conclude these as promptly as possible. This has been recognised and included in our AGS improvement plan.

Opportunities for Improvement

The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is ongoing, and as the previous AGS has only just been concluded. They address both significant governance issues that have arisen during 2018/19, and forward-looking matters identified for 2018/19. These actions are captured in existing corporate plans and strategies.

Subject	Opportunity	Responsible Officer
Review of the Constitution	The Council's Constitution has not been subject to a comprehensive review for some considerable time. The Civic Affairs Committee has agreed to establish a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. The Task and Finish Group has drawn up a work programme which envisages recommendations being submitted to this Committee in the summer, with the aim of seeking Council approval for the revised Constitution in the autumn.	Deputy Monitoring Officer
Digital strategy	Recognising that it can be difficult to engage with customers and stakeholders, the Council is developing a digital strategy to help customers self-serve, whilst preserving appropriate channels for those that require them. Examples include "In Touch Project" to improve digital inclusion with Housing tenants and reviewing our "Community Engagement Strategy".	Executive Director – Corporate Services and Head of People and Organisational Development

Subject	Opportunity	Responsible Officer
Statement of Accounts	<p>The Council completes Statement of Accounts, to report the financial position of the Council, and for both 16/17 and 17/18 these were not approved by the deadline. An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015 which the Council has not been able to complete. In addition, it is recognised that the external auditors have resource challenges and have had to prioritise resource elsewhere. Consequently, this has also impacted upon conclusion of the 18/19 accounts.</p> <p>Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible. It was not possible to meet the deadline, and updates have been regularly communicated to the Audit & Corporate Governance Committee.</p> <p>The external auditors issued an unqualified audit opinion on the financial statements for 17/18. However, in light of the financial reporting challenges the Authority has experienced, they issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.</p> <p>The Council has been undertaking a 'lessons learnt' and risk appraisal to improve the completion process of the 18/19 accounts. The Council has recruited a Principal Accountant, plus a Deputy Head of Finance, and these substantive resources will help manage the process.</p>	Executive Director – Corporate Services and S151 Officer
Review of anti-fraud and corruption policies	The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies are being reviewed to see if any improvements can be adopted and will be reported to the Audit & Corporate Governance Committee.	Head of Internal Audit
Financial Management System	The Council is implementing a new Financial Management System, to develop resilience and introduce smarter ways of working. The core system was successfully implemented and is now being used throughout the Council. In addition, the Council is implementing a new Asset Management system, which will improve the data management and record keeping.	Executive Director – Corporate Services & Head of Finance

Subject	Opportunity	Responsible Officer
Control Account Reconciliations	The Council reconciles control accounts to ensure that systems balance. These were not always completed promptly, throughout the year. The Finance team ensured these were completed for the system launch of the new Financial Management System, as data was migrated. Management now have processes in place for monitoring reconciliations. Internal processes will also be reviewed to consider opportunities to simplify the reconciliation process and assist prompt completion.	Executive Director – Corporate Services & Head of Finance
Organisational Development Strategy	The Council will complete a review of the Organisational Development Strategy, over the current financial year, which will help to improve recruitment and retention of employees.	Head of People and Organisational Development
Complaints management	The Council has a process for responding to complaints. A project is being implemented to help improve our quality and timeliness of complaints handling, and a new system has been implemented. A post implementation review will be completed to quality assure its effectiveness.	Head of People and Organisational Development
Environment	Local Air Quality Management is a statutory obligation for all Local Authorities. It involves a rolling programme of air quality assessment, impacting on decisions made by all internal and external bodies responsible for transport planning, highways, growth agendas, development plans and environmental protection. The Council is developing a new Air Quality Strategy , which will help to enhance the environment and inform environmental planning.	Head of Service, Environmental Commissioning

Subject	Opportunity	Responsible Officer
Procurement best practice	<p>In March 2019 Cabinet considered a report outlining the findings of the “Barriers to Council Procurement from Small and Medium-sized Enterprises (SMEs) Task and Finish Group” and approved to:</p> <ul style="list-style-type: none"> • review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds; • develop, promote and run a minimum of two procurement workshops for local SMEs during 2019; • investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations; and • review the late payment of invoices with the South Cambridgeshire District Council’s accountancy team. <p>Progress will be reported back to Cabinet.</p>	Executive Director – Corporate Services

Conclusion

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.

Draft document

Agenda Item 5



**South
Cambridgeshire
District Council**

Report To: Audit and Governance 29th September
2020

**Lead Cabinet
Member(s):** Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

Completion of the 2018/19 Draft Accounts

Executive summary

1. The 2018/19 Accounts have now been completed are on the Council's website. These accounts are in draft and are subject to audit which will be carried out during the autumn.

Recommendation

2. **To note the 2018/19 draft Statement of Accounts (attached) and scrutinise and comment as appropriate.**

Background information

Introduction

3. The draft 2018/19 accounts have now been completed and lodged on the Council's website. It is recognised that the draft accounts are over a year later than the prescribed deadline but could not be completed until the 2017/18 accounts had been adopted following audit and this only occurred in July 2020.

2018/2019 Accounts

4. The draft accounts are attached to this agenda and some commentary is provided below on those accounts.
5. There are four main statements sometimes referred to as primary statements; the Comprehensive Income and Expenditure Statement (CiES), the Movement in Reserves Statement (MiRS), the Balance Sheet and the Cashflow. Explanation of each one follows.

Comprehensive Income and Expenditure Statement (CiES)

6. The CiES shows the income and expenditure of the Council for 2018/19 in accordance with 'proper accounting practice', with the previous year shown for comparative purposes. The first section details the service related income and expenditure including the Housing Revenue Account (HRA) and this reports the net cost of services at 5.48m. The second section lists the corporate income and expenditure such as financing items, Parish Precepts and taxation and grant Income (detail at notes 9 to 11). The final element reports other changes, generally of a valuation nature, that do not affect the General Fund or HRA Balance and in the Council's case relate to the Revaluation and Pensions reserves. Overall there is a deficit of £19.316m which is effectively the year on year movement on the balance sheet.

Movement in Reserves Statement (MiRS)

7. The MiRS is where the reported surplus on provision of services (13.3
8. 92m) is reconciled back to the Movement on the General Fund and HRA balances and any other reserve movements. Because the Council is a public body with tax raising powers there are certain items accounted for in the CiES under proper accounting practice that cannot by law be charged against Council Tax or Housing Rents. Conversely there are some items that *should* be charged against the Council Tax or Housing Rents that are not comprehensive income or expenditure. This statement reverses out or adds in these transactions, for example depreciation, the payment to the Capital Receipts Pool and Capital Expenditure funded from Revenue to name but a few. The totals at the bottom of the statement shows the year end position for each Fund or type of Fund.

Balance Sheet

9. This Statements shows what the Council owns and what it owes.
 - (i). The largest figure (£505m) is un-surprisingly the property that the Council owns and within that Council Dwellings makes up over 90% (see note 12 column 1). These are valued annually by an external valuer at existing use for social housing.
 - (ii) The Council also has significant investments either classified as Long Term, Short Term or Cash Equivalents depending on their nature. The largest element of investments is the Council's Investment in Ermine Street. A cash equivalent is an investment that can be turned into cash within 24 hours, such as money placed with money market funds.
 - (iii) Under Current Liabilities (amounts due with 12 months) is a figure of £31m which is similar to the previous year. Much of this relates to public bodies such as other local authorities, The Ministry for Housing

Communities and Local Government and the Department for Work and Pension.

(iv) Long term Liabilities (£276m) are two items; the pensions liability (£71m) and long term Loans (£205m). The former is an estimate of what is owed to the pension fund based on an actuarial valuation. This amount is not due any time soon and will change depending on what happens to fund returns, assumptions on life expectancy and how much is estimated to be paid out in future pensions. The liability increased year on year by £13m mainly due to the estimated increase in future pension obligations. The latter relates to loans taken out with the Public Works Loan Board on the cessation of the former Housing Subsidy regime in March 2012. Note 13 shows the profile of repayments with the first loan due for repayment in 2037.

(v) The Balance Sheet totals some £302m and this is represented by a number of reserves some which can be used to fund expenditure and some that cannot. The usable reserves are for example the General Fund and HRA Balances, Earmarked Reserves and Capital Receipts. Unusable reserves include the Revaluation Reserve, Capital Adjustment Account and the Pensions Reserve.

Cashflow Statement

10. This reconciles the reported surplus on the provision of services to the change in cash and cash equivalents. It shows the net cash the Council has received in the year from operating activities £26m, and the amount spent £27m on investing and financing activities. The difference between the two being the change in cash and cash equivalents.

Other Statements and Notes

11. There are two other statements; the detailed Housing Revenue Account (HRA) and the Collection Fund. The HRA deals with income and expenditure related to the Council's landlord function as a social housing provider and the Collection Fund shows the collection and distribution of the Council Tax and Business Rates.
12. There are also a number of notes giving more detail behind figures in the various statements.
13. The accounts were lodged on the website on 11th September to allow the public inspection period to commence prior to the audit of the accounts due to start in early October. The audit is expected to last around two months and culminate in the approval of the accounts at a future meeting of this Committee.

14. The 2019/20 accounts are currently being prepared but they cannot be submitted for audit until the 2018/19 accounts audit is complete.

Options

15. There is a requirement that the accounts receive scrutiny by the Committee with that responsibility. The other option would be not to review the 2018/19 accounts, which of course could not be recommended.

Implications

17. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

18. Since 2016 there has been a requirement under the Accountancy and Audit Regulations for council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31st July each year. There has been an extension granted for 2019/20 accounts due to COVID but the delay in the audit of the 2018/19 accounts will prevent the Council from meeting this deadline.

Financial

19. As set out in the report.

Risk

20. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with a dedicated experienced resource now tasked with accounts completion for 2019/20 the risk should be mitigated to an extent.

Environmental

21. There are no environmental implications arising directly from the report.

Equality Analysis

22. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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South Cambridgeshire District Council

Statement of Accounts

2018/19

11/09/2020 V1.2

A3 sized printed copies, for the visually impaired, are available upon request from;
accountancy@scambs.gov.uk

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Further copies of this report are available from the Councils website, following the hyperlink below:

[Historic log of annual Statement of Accounts](#)

Narrative Report

1. Introduction

This report has been compiled to provide a summary of the development and performance of the Council over the financial year, outline planned future developments in service delivery including revenue and capital investment plans and to provide assistance in understanding the financial statements and the Council's financial position.

2. Key Facts about South Cambridgeshire

South Cambridgeshire is a vibrant rural district at the heart of the rapidly growing East of England region. We are home to world-leading centres of science and technology such as Granta Park, the Babraham Institute and Genome Campus at Hinxton, to the Imperial War Museum at Duxford and some of England's oldest villages and newest and most exciting modern communities.

South Cambridgeshire is the second largest and most populous district in Cambridgeshire covering approximately 350 square miles of countryside, completely surrounding Cambridge City.

It is largely rural with most of the population of 156,000 living in small, relatively isolated, outlying rural settlements, and with larger settlements situated on strategic routes into Cambridge such as Histon, Milton and Cambourne, and Cambridge Fringe developments such as Orchard Park and Trumpington Meadows. There are currently no towns in South Cambridgeshire, although Cambridge city is expanding outwards into the district, and construction has begun on the new town of Northstowe. Cambourne, itself a new settlement begun in the late 1990s, has become the largest village in the district with approximately 9,000 people, and is still growing.

Overall, South Cambridgeshire is a prosperous area with high levels of economic activity and low levels of unemployment. The district forms part of the Cambridge Sub-Region. It is also a key location within the London-Stansted-Cambridge corridor and on the key Oxford to Cambridge Arc. The district is a key contributor to the growth that makes Greater Cambridge a major driver of UK economic prosperity, competing for inward investment on a global stage with areas such as Massachusetts, California, Europe and the Far East.

3. South Cambridgeshire District Council Corporate Plan 2017-2022

The Corporate Plan 2017-2022 is the document that sets out the Council's vision and strategic objectives, providing the context for the agreement of financial strategies and subsequent departmental budgets to deliver them. The Plan contains:

- Our Vision for the district;
- Four Strategic Objectives setting out how the Vision will be achieved, delivered through 22 key Actions;
- What we will do to achieve each objective, and what success will look like;
- Key performance measures.

Our Strategic Objectives are as follows:

Living Well - Support our communities to remain in good health whilst continuing to protect the natural and built environment.

Homes For Our Future - Secure the delivery of a wide range of housing to meet the needs of existing and future communities.

Connected Communities - Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity.

An Innovative and Dynamic Organisation - Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost.

The Plan runs for a rolling five-year period and is refreshed annually. Performance against 2016-2021 Plan objectives was reported to Scrutiny and Overview Committee quarterly and Cabinet in October 2018, including a review of financial performance and updates on the Council's Strategic Risk Register. The reports are available to view here:

[Performance and Plans](#)

4. Political and Management Structure

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018, following a boundary review the number reduced to 45. During 2018/19, the breakdown of councillors by political group was as follows:

Liberal Democrat	30
Conservative	11
Independent Group	2
Labour	2

The Council operates a Leader and Cabinet model of governance under which the Leader of the Council, elected by the whole Council to serve a four-year term of office, appoints a Cabinet of up to ten councillors, each of which are given a Portfolio to reflect a corporate priority. The Cabinet implements the strategic policy and budgetary framework agreed by all Councillors each February. It is held to account by our two scrutiny committees:

- the Scrutiny and Overview Committee (which focusses on the Council's service delivery, performance and budget from an internal perspective) and
- the Partnerships Review Committee (which focuses on how the Council works with other bodies and organisations within the District).

Both bodies consist of 9 Members and meet a minimum of four times a year.

The Council's Executive Management Team is responsible for ensuring that the plans agreed by Council and Cabinet are delivered. At 31 March 2019, the Team consisted of the Chief Executive and Head of Paid Service (Liz Watts), supported by:

- Chief Financial Officer - Bob Palmer (interim)
- Housing, Health and Environmental Services Director – Mike Hill
- Planning and Economic Development Director (Joint with Cambridge City Council) – Stephen Kelly

The Council's three statutory officers are as follows:

- Head of Paid Service - Mike Hill (acting)
- Chief Financial Officer - Bob Palmer (interim)
- Monitoring Officer – Tom Lewis

Further details about these arrangements, and how they operated during 2018/2019, are set out in the Annual Governance Statement accompanying these Accounts.

5. Summary of Financial Performance

The financial year began with the setting of the budget in February 2018. The following sections describe the actual performance against this budget. The Council incurs both revenue and capital expenditure, the revenue account, known as the General Fund, bears the cost of providing day to day services. The capital account shows the net cost of transactions to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity. The tables below show the outturn position and variances for the General Fund (services for the whole community) and the Housing Revenue Income and Expenditure Account (Council housing). The overall financial position of the Council is reflected in its Comprehensive Income & Expenditure Account and its Balance Sheet shown in these Accounts.

When the council tax for the financial year ending 31 March 2019 was set in February 2018, the surplus was estimated at nil (Appropriation to General Fund Balance line). The variance of £1,866k "net cost of services" line is attributable to the following:

General Fund Summary

	Budget 2018/19 £'000	Actuals 2018/19 £'000	Variance 2018/19 £'000	Variance 2018/19 %
Net Expenditure				
Portfolio				
Corporate Services	6,399	5,226	(1,173)	-18.33%
Health & Env. Services	6,639	7,168	529	7.97%
Housing (Gen. Fund)	1,373	1,474	101	7.34%
Planning	4,727	3,494	(1,233)	-26.09%
Gr. Cambs. City Deal	922	918	(4)	-0.46%
Unallocated	85	0	(85)	-100.00%
Net Cost of Service	20,145	18,279	(1,866)	-9.26%
Efficiency reserves and precautionary	125	0	(125)	-100.00%
Savings not included in Portfolio est.	(449)	0	449	-100.00%
Net Portfolio Exp.	19,821	18,279	(1,542)	-7.78%
Income from Invest's	(1,702)	(1,514)	188	-11.02%
Precepts, Levies & Contr's	5,595	5,590	(5)	-0.09%
Interest Payable (GF&HRA)	0	0	0	-
Depr. Rev & oth Adjs	(864)	(4,809)	(3,945)	456.62%
Pension Interest Costs	0	1,375	1,375	100.00%
Other	0	440	440	100.00%
Net Operating Exp.	22,850	19,361	(3,489)	-15.27%
Cont. to/(from) GF bal	0	3,036	3,036	-
Cont. to/(from) other Res.	(443)	5,911	6,354	-1434.31%
New Homes Bonus	(3,010)	(3,010)	0	-0.02%
To be met from Grants and Local Tax	19,397	25,298	5,901	30.42%
Council Tax	(14,013)	(14,240)	(227)	1.62%
Bus. Rates (inc S31)	(5,470)	(7,864)	(2,394)	43.76%
RSG	191	0	(191)	-100.00%
Other Govt Grants	(105)	(3,194)	(3,089)	2942.02%
Taxation and Grants	(19,397)	(25,298)	(5,901)	30.42%

Housing Revenue Account

The Housing Revenue Account (HRA) summaries the transactions relating to the provision, management and maintenance of Council houses and flats. Although this account is also included within the core financial statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a prohibition on cross subsidising to or from the council tax payer. The HRA statement and notes are included after the main statement notes.

Housing Revenue Account			
	Budget £000	Outturn £000	Var. und/(over) £000
Dwelling Rents	(27,633)	(28,082)	(448)
Non-dwelling Rents	(427)	(425)	2
Service Charges	(1,002)	(1,941)	(939)
Other Income	(120)	(85)	36
Total Income	(29,182)	(30,533)	(1,351)
Repairs & Maintenance	5,430	5,315	(115)
Supervision & Management	5,292	4,516	(776)
Depreciation	9,881	6,620	(3,261)
Other Expenditure	38	1,283	1,245
Total Expenditure	20,641	17,734	(2,907)
Net	(8,541)	(12,799)	(4,256)
Transfers (reserves)	0	0	0
Interest Payable	7,179	7,193	14
Interest Receivable	(571)	(760)	(189)
Capital Expenditure from Revenue	2,926	5,827	2,901
Pensions	0	(261)	(261)
	9,534	11,999	2,465
Deficit/(Surplus) for year	991	(800)	(1,792)

The table above shows the variances against the final 2018/19 budget for the HRA with an overall variance of £1.792m (under) reported.

* Depreciation charged to the HRA in 2018/19 was significantly lower (£3.261m lower) than anticipated due to a reduction in asset values together with an extension of asset lives, recognising the impact of decent homes investment.

* Capital expenditure funded being significantly more than expected.

Overall the outturn position was a contribution to HRA reserves of £0.800m against a budget that assumed a £0.991m contribution from reserves. HRA reserves stood at £10.896m at 31 March 2019.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £17.7 million. The major part of the programme involved the provision of housing; with £15.625 million being invested through the HRA in the Council's own housing stock and new build initiatives.

Treasury management

At 31 March 2019, investments totalled £91.443 million, an increase of £16.785 million over the previous year-end. These investments produced interest of over £2.274 million, which was used towards the cost of services.

The Council has debt of £205.123 million funding Housing Revenue Account assets.

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £13.192 million and £10.896 million respectively as at 31 March 2019 (excluding earmarked reserves) - this compares to the proposed minimum level of balances of £2.5 million (General Fund) and £2.0 million (Housing Revenue Account). These will be used to meet the cost of services in future years and to keep down any increases in council tax/rents.

Reserves available for capital expenditure stood at £11.710 million, consisting of the usable capital receipts reserve and capital grants unapplied.

Current and Future Developments

Council Tax

Historically, the Council Tax set by the Council is substantially below the average charged by other shire districts as the Council used a proportion of its reserves to keep down the amount of Council Tax residents would have to pay. Without the use of reserves, the Council Tax would be at its higher, underlying level. The increasing gap between the actual and underlying council tax reflects the expectation that government grant will continue to decrease in future years and that the Council's expenditure demands will increase further than projected income, requiring the continuing use of reserves and/or additional savings or income generation; this assumption and others is monitored and reviewed in the Council's financial strategy on a regular basis.

Reporting Cycle

The General Fund and Housing Revenue Account estimates are presented to Cabinet and Council for approval every year, in February, and are published on the Council website.

During the year expenditure and income is monitored and significant variances reported to Cabinet. The Council's Forward Plan providing information on key reports is published on the Council's website

The Council regularly monitors performance against key performance indicators, this information and the Corporate Plan is available on the Council website.

The Current Economic Climate and Other Significant Risks

The Government's actions to reduce the fiscal deficit mainly by reducing public spending have resulted in substantial cuts for local government. The Council's medium term financial strategy is in its strategic risk register with an assessed risk of high impact / likely. The financial situation is dependent amongst other things on the continuation of New Homes Bonus and the redistribution of retained business rates.

The Homeless Reduction Act has significantly increased duties owed by the Council, this added to increased costs to meet statutory obligations mean Homelessness is a considerable risk now and in future. The Council is likely to see increased demand for the service and more in-depth support and assessment for those that do approach the Council.

Sale of Higher Value Vacant Council Homes

The Government has now published the Housing and Planning Act 2016. This Act sets out a number of changes to housing legislation which will impact on the current delivery of services to tenants and the resources required to do so. One of these changes relates to the sale of higher value vacant council homes. The Act enables the Government to set out a definition of 'higher value' homes and creates a duty on local authorities to consider selling homes that meet this definition when they become vacant. The Government intends to use the receipts from these sales to fund the extension of the right to buy scheme to housing association tenants and to create a Brownfield Development Fund. The Act also allows the Government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of higher value homes. Authorities are then required to pay this amount to the Government. Implementation has been deferred until at least April 2019 with secondary legislation required in order to implement the policy. Once full details are published the impact on the HRA Business Plan will be assessed, both in the potential number of homes that will be required to be sold and the amount due to be paid to Government under the annual calculation.

Affordable Housing

Following on from the Housing Revenue Account self-financing debt settlement at the end of March 2012, the Council has embarked upon a new build development programme. In 2018/19 construction was completed on 30 new homes, with the new build programme continuing into 2019/20. 6 existing market homes were also acquired in 2018/19 for letting as affordable housing by the authority.

Ermine Street Housing

In November 2012 approval was given by Council to set up a subsidiary housing company, registered as South Cambs Ltd and trading as Ermine Street Housing with a principal activity being the management of both purchased and leased properties for the purpose of residential lettings.

[Ermine Street Housing](#)

Ermine Street Housing has a growing portfolio of both owned and leased market housing stock, with a year-end portfolio of 143 leased properties and 339 properties acquired for rental across Cambridgeshire, Suffolk, Northamptonshire, Leicestershire, Nottinghamshire and Leeds. Further additions are planned over the next 2 years to achieve a portfolio of 500 owned properties. A full business case was reported to Council in the autumn of 2015. This was updated and presented to Council in February 2017, February 2018 and February 2019.

As an independent but wholly owned subsidiary and in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy Code of Practice; the Council has prepared group accounts to show the overall financial position and results of the District Council.

Greater Cambridge Partnership (formerly known as the Greater Cambridge City Deal)

The Greater Cambridge Partnership (GCP) is (an agreement with Central Government) a partnership of local councils, including South Cambridgeshire, business and academia to deliver the City Deal. The Partnership constitutes a 15-year plan to improve the infrastructure of the area, supporting economic growth and securing long-term prosperity and quality of life for the people of Cambridge and South Cambridgeshire. The other partners to the Partnership are Cambridge City Council, Cambridgeshire County Council, the GCGP Local Enterprise Partnership and Cambridge University.

A thriving and vibrant city region, Greater Cambridge has achieved rapid growth and economic success through world-leading innovation and collaboration between entrepreneurs and academics. It has the highest cluster of technology firms in the UK and competes on a global stage as a gateway for high-tech investment into the UK. However, this success and the area’s appeal as an attractive place to live and work, has resulted in significant transport congestion, a shortage of housing and access to relevant skills. These issues have to be addressed to secure future economic growth and quality of life. Through the deal, the GCP has secured powers and funding from Central Government to make vital improvements to secure future economic growth and quality of life in the city region. The GCP aims to deliver over £1 billion of investment, thousands of new homes and jobs, and improved transport links. The 15-year plan focuses on four key issues: Transport, Housing, Skills and Innovation.

Cambridgeshire and Peterborough Combined Authority- Devolution

The Cambridgeshire and Peterborough Combined Authority was formally constituted in March 2017, following a Devolution deal with government which will unlock hundreds of millions of pounds of new funding for the county, including £100 million for affordable homes. Councillor Peter Topping, Leader of the Council, represented SCDC on the Combined Authority in 2018/19 until 3rd May 2018, when Councillor Bridget Smith was appointed Leader of the Council following the elections, in succession to Councillor Topping.

Auditor's Opinion

The Statement of Accounts has been audited and the Auditor’s opinion is shown at the end of this document.

.....
Peter Maddock
Chief Finance Officer, Section 151 Officer
Dated-

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

.....
Councillor Mason

Chairman of the Audit and Corporate Governance Committee

Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Chief Finance Officer has also:

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

These draft Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2019 and its income and expenditure for the year then ended.

.....
Peter Maddock

Chief Finance Officer, Section 151 Officer

Auditors Report

Opinion on the Council's Financial Statements

<< *These accounts are draft, audit opinion blank until certified*>>

Basis for the Opinion on the Financial Statements

Conclusions relating to Going Concern

Other Information

Conclusion on the Council's Arrangements for Securing Economy, Efficiency and Effectiveness in its Use of Resources

Basis for Conclusion on the Council's Arrangements for Securing Economy, Efficiency and Effectiveness in its Use of Resources

Matters on which we are Required to Report by Exception

Responsibilities of the Chief Finance Officer and the Council

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities in Respect of the Council's Use of Resources

Certificate of Completion of the Audit

Use of Our Report

TBC
For and on behalf of Ernst & Young, Appointed Auditor
Cambridge, UK

date;

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127)

Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income & Expenditure is allocated to each individual Reserve.

		2018/19			2017/18		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	Note	£000	£000	£000	£000	£000	£000
Continuing Operations							
Corporate Services		34,369	(29,143)	5,226	33,767	(28,578)	5,189
Health & Environment Services		18,104	(10,937)	7,168	16,966	(10,385)	6,581
Housing (General Fund)		3,724	(2,250)	1,474	3,210	(1,689)	1,521
Planning		8,654	(5,160)	3,494	6,256	(3,449)	2,806
Housing Revenue Account (HRA)		17,815	(30,614)	(12,799)	12,061	(31,003)	(18,943)
Greater Cambridgeshire City Deal		918	-	918	1,224	-	1,224
Net Cost of Services		83,583	(78,103)	5,480	73,483	(75,105)	(1,622)
Other Operating Expenditure and Income	9	6,339	(3,633)	2,706	5,926	(1,896)	4,029
Financing and Investment Income and Expenditure	10	8,769	(2,274)	6,494	8,703	(1,452)	7,251
Taxation and Non-Specific Grant Income	11	-	(28,073)	(28,073)	-	(26,177)	(26,177)
(Surplus) / Deficit on Provision of Services				(13,392)			(16,519)
(Surplus) / Deficit on Reval. of Property Plant and Equipment	12/35			23,464			(23,662)
Actuarial (Gains) / Losses on Pension Assets / Liabilities	32			9,245			(2,599)
Total Comprehensive Income and Expenditure				19,316			(42,780)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other resources. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

		General Fund Balance	Ear marked Reserves (Gen. Fund)	Housing Revenue Account	Ear- marked Reserves (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un- applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movements in 2017/18											
Balance as at 1 April 2017		(9,985)	(17,772)	(8,992)	(9,500)	-	(11,222)	(486)	(57,957)	(220,341)	(278,298)
Surplus / (Deficit) on Provision of Services	CIES/HRA	(2,524)	-	(13,995)	-	-	-	-	(16,519)	-	(16,519)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	(26,261)	(26,261)
Total Comprehensive Income and Expenditure		(2,524)	-	(13,995)	-	-	-	-	(16,519)	(26,261)	(42,780)
Adjustment Between Accounting and Funding Basis Under Regulations	7	(2,247)	-	12,891	-	-	1,631	(29)	12,246	(12,246)	0
Net Increase / (Decrease) before Transfer to Earmarked Reserves		(4,771)	-	(1,104)	-	-	1,631	(29)	(4,273)	(38,507)	(42,780)
Transfer to Earmarked Reserves	8	4,600	(4,600)	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year		(171)	(4,600)	(1,104)	-	-	1,631	(29)	(4,273)	(38,507)	(42,780)
Balance as at 31 March 2018	B/S	(10,156)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,230)	(258,848)	(321,078)

Movements in 2018/19		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018		(10,156)	(22,372)	(10,096)	(9,500)	-	(9,591)	(515)	(62,230)	(258,848)	(321,078)
Surplus / (Deficit) on Provision of Services	CIES/HRA	(3,578)	-	(9,814)	-	-	-	-	(13,392)	-	(13,392)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	32,709	32,709
Total Comprehensive Income and Expenditure		(3,578)	-	(9,814)	-	-	-	-	(13,392)	32,709	19,316
Adjustment Between Accounting and Funding Basis Under Regulations	7	(5,368)	-	9,013	-	(165)	(1,461)	(143)	1,876	(1,876)	0
Net Increase / (Decrease) before Transfer to Earmarked Reserves		(8,947)	-	(801)	-	(165)	(1,461)	(143)	(11,516)	30,833	19,317
Transfer to Earmarked Reserves	8	5,911	(5,911)	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year		(3,036)	(5,911)	(801)	-	(165)	(1,461)	(143)	(11,516)	30,833	19,317
Balance as at 31 March 2019	B/S	(13,192)	(28,283)	(10,896)	(9,500)	(165)	(11,052)	(658)	(73,747)	(228,015)	(301,762)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

		31 March 2019		31 March 2018	
	Note	£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment	12	504,731		521,439	
Intangible Assets	36	739		494	
Long Term Investments	13	9,970		8,765	
Long Term Debtors	14	970		970	
Total Long Term Assets			516,410		531,668
Current Assets					
Short Term Temporary Investments	13	81,473		65,893	
Inventories	-	163		147	
Debtors and Prepayments	16	10,191		12,549	
Cash & Cash Equivalents	17	7,250		7,426	
Assets Held for Sale	35	1,517		2,076	
			100,593		88,091
Current Liabilities					
Short Term Creditors	18	(31,407)		(31,818)	
Short Term Borrowing	15	(3,000)		-	
Cash & Cash Equivalents	17	(1,402)		(965)	
Provisions	19	(3,761)		(3,097)	
			(39,570)		(35,880)
Long Term Liabilities					
Pensions Liability	32	(70,548)		(57,679)	
Long Term Loans	13	(205,123)		(205,123)	
			(275,671)		(262,802)
Total Assets Less Liabilities			301,762		321,077
Usable Reserves	MIRS	73,747		62,229	
Unusable Reserves	MIRS/20	228,015		258,848	
Total Reserves			301,762		321,077

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	2018/19 £000	2017/18 £000
Net Surplus/(Deficit) on Provision of Services	CIES	13,392	16,519
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	17,772	11,208
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(4,818)	(9,009)
Net cash flows from Operating Activities		26,346	18,717
Investing Activities	22	(24,860)	(22,816)
Financing Activities	23	(2,100)	4,265
Net Increase or (Decrease) in cash and cash equivalents		(613)	166
Cash and Cash Equivalents at the beginning of the reporting period	17	6,461	6,294
Cash and Cash equivalents at the end of the reporting period	17	5,848	6,461

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1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the relevant financial year and its position at the Balance Sheet date of 31 March. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom (2018-19) and the Service Reporting Code of Practice (2018-19) supported by International Financial Reporting Standards (IFRS).

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year in which the liability is incurred

The accounting statements are prepared with the objective of presenting a true and fair view of the financial position and transactions of the Council.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

* Exceptional items

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

1.2. Accruals of Income and Expenditure

The accounts of the Council are maintained on an accruals basis, that is, sums due to the Council for goods/services provided or due from the Council for goods/services received during the year are included as income or expenditure whether or not the cash has actually been received or paid in the year. Any differences between the actual amounts and accrued amounts will be reflected in the accounts of the following year.

Exceptions to this principle relate, for example, to quarterly payments where payments are charged in the year rather than apportioning charges between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts. Grants payable to other organisations are included in the accounts on a payment basis.

Where income and expenditure has been recognised in the accounts but cash has not been received or paid, a debtor or creditor is recorded in the balance sheet.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. They include deposits in constant Net Asset Value money market funds that are available for withdrawal with 24 hours' notice. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and from an integral part of the Authority's cash management.

1.4 Charges to Revenue for Non-Current Assets

Services and support services are charged with the following amounts to reflect the cost of holding non-current assets during the year:

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

Any depreciation, revaluation and impairment losses and amortisation charged to the relevant accounts is reversed out in the movement in reserves statement and transferred to the capital adjustment account so that these charges are not met by council tax or rents.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of self-financing. The Authority is required to charge the Housing Revenue Account a notional amount of depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvements works. The transition period continued until 2017-18, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from then onwards.

The Authority is required to charge an annual provision to revenue as a contribution towards reducing its overall borrowing requirement. This provision, known as the Minimum Revenue Provision (MRP), is an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. No minimum revenue provision is currently charged on the debt acquired in relation to Housing Revenue Account self-financing as this is outside the scope of this regime.

1.5 Council Tax and Non Domestic Rates

The Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Cambridgeshire County Council, Cambridgeshire & Peterborough Fire Authority and Cambridgeshire & Peterborough Police & Crime Commissioner (i.e. the major preceptors which also includes central government for NDR) and as principal, it collects council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

1.6 Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of events:

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

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

1.7 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment section of the Income and Expenditure Account for interest are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that discounts estimated future cash payments over the life of the instrument to the fair value at which it was originally recognised.

The only financial liabilities for this Council are trade payables of short duration, measured at original or estimated invoice amount, and long term borrowing which is shown in the balance sheet as the outstanding principal repayable with interest charged to the comprehensive income and expenditure account being the amount payable for the year in accordance with the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets consist of:

- loans and receivables and
- available-for-sale assets – financial

The financial assets applicable to this Council are loans and receivables which have the defining characteristics of fixed and determinable payments and are not quoted in an active market and, equity shares in the Local Capital Finance Company (Municipal Bond Agency) with no quoted market prices.

Loans and receivables are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at amortised cost. Annual credits to the financing and investment section of the comprehensive income and expenditure account for interest are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans and receivables owed to the Council, the amount shown in the balance sheet is the outstanding principal or invoice amount receivable and interest credited to the comprehensive income and expenditure account is the amount receivable for the year in the loan agreement.

1.8 Government Grants and Contributions

Government grants and other contributions and donations are recognised as due to the Authority when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the payment, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the comprehensive income and expenditure statement until such conditions (as distinct from a restriction) attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor, i.e. If the grant or contribution is not used as intended, then it has to be repaid.

Restrictions are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified. The key difference between a condition and a restriction is that a condition requires the grant funder or donor to have a right to the return of their monies or the donated asset (or similar equivalent compensation).

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or to the taxation and non-specific grant income section (non-ring-fenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

When the conditions of a grant have been met and it has been reflected as income in the comprehensive income and expenditure statement, the Council still has discretion to carry the grant income forward through an earmarked reserve if it deems this appropriate. This could arise in cases where there is no condition on the timescale in which the grant can be spent, but it has not been spent at the year-end.

In relation to capital grants or contributions recognised as income in the comprehensive income and expenditure statement, where the expenditure has not been incurred at the balance sheet date, the grant recognised as income is transferred to the Usable Reserve (Capital Grants Unapplied Account) representing capital resources not yet utilised.

Where capital grants are credited to the comprehensive income and expenditure statement, they are

- to the capital grants unapplied reserve if the grant has yet to be used to finance capital expenditure;
- or
- to the capital adjustment account if the grant has been used to finance capital expenditure.

Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account when they are applied to fund capital expenditure.

1.9 Employee Benefits

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund or HRA Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.

Post-Employment Benefits (Pensions)

Post-employment benefits are employee benefits (other than termination and short-term benefits) that are payable after the completion of employment.

Employees of the Authority are eligible to be members of the Local Government Pension Scheme, administered by Cambridgeshire County Council, which is accounted for as a defined benefit Scheme whereby:

- The Authority's share of the liabilities of the pension fund are included in the balance sheet on an actuarial basis using the projected unit cost method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees;
- these liabilities are then discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds;
- the Authority's share of the assets of the pension fund are included in the balance sheet at their fair value being;

Quoted securities	current bid price
Unquoted securities	professional estimate
unitised securities	current bid price
property	market value;

The change in the net pension liability is analysed into seven components:

- current service cost being the increase in liabilities as a result of years of service earned in the current year where the cost is allocated in the comprehensive income and expenditure statement to the services for which the employees worked.
- past service cost being the increase or decrease in liabilities arising from decisions in the current year affecting liabilities incurred in past years where the cost is charged or credited to non-distributed costs in the comprehensive income and expenditure account;
- net interest on the net defined benefit liability (asset), that is, the net interest expense for the authority being the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged where the cost is charged to financing and investment income and expenditure in the comprehensive income and expenditure statement.;
- expected return on assets being expected annual investment return on the fund assets, excluding amounts included in net interest on the defined benefit liability (asset), based on the average of the expected long term returns where the return is credited to the financing and investment section of the comprehensive income and expenditure account;
- gains or losses on settlements, being the result of actions to relieve the Authority of liabilities, and curtailments, being events that reduce the expected future service or accrual of benefits of employees, where the gain or losses are credited or charged to non-distributed costs in the comprehensive income and expenditure account;
- actuarial gains and losses being changes in the net pensions liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions where the gains and losses are credited or charged to the pensions reserve; and
- contributions paid to the pension fund in the year being the payments made by the Authority as employer, that is, cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

The charges and credits to the comprehensive income and expenditure account mentioned above are reversed out in the movement in reserves statement to the pensions reserve and replaced with the contributions paid.

The negative balance on the pensions reserve in the balance sheet measures the future liability in respect of benefits due to members of the fund.

Employees of the Council are members of the Local Government Pensions Scheme (LGPS), administered by Cambridgeshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

□ The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of protected earnings for current employees.

□ Liabilities are discounted to their value at current prices, using an appropriate discount rate (based on the indicative rate of return on high quality corporate bonds as identified by the actuary).

Discretionary Benefits

The Authority also has powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any employee are accrued in the year of the decision to make the award.

1.10 Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as Lessor

Finance Lease

Where the Council grants a finance lease over a property, the relevant asset is written out of the Balance Sheet as a disposal whilst an appropriate debtor balance is created to reflect the amount owed.

Operating Leases.

Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.11 Overheads and Support Services

The costs of overheads and support services are charges to those services which benefit from the provision of the overheads and support services in accordance with the costing principles in the Service Reporting Code of Practice. The full cost of overheads and support services are charged out to users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation, and
- Non-distributed costs include pension costs, relating to past service costs and gains and losses on settlements and curtailments, and any depreciation and impairment are reversed out in the movement in reserves statement.

These two categories were defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, these are now reported in line with the management reporting structure of the Council in accordance with the Expenditure and Funding Analysis in the revised Code of Practice.

1.12 Intangible Assets

Expenditure, on an accruals basis, for assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) are capitalised where they will bring benefit for more than one year. The balance is amortised (charged) to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

1.13 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets- historical cost
- Assets under construction- historical cost
- Dwellings- fair value, determined using the basis of existing use value for social housing
- Investment property- fair value
- Assets held for sale- current value
- Non-commercial assets held for sale- lower of carrying amount and fair value less costs to sell

- Non-property assets that have short useful lives and/or low values- depreciated historical cost basis is used as a proxy for fair value, and
- All other assets- fair value, which for this purpose is interpreted as being met by provision of a market value figure which will reflect all potential uses.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets included in the balance sheet at fair value and market values are revalued sufficiently regularly (at least every five years) to ensure that their carrying amount is not materially different from their fair value at the year-end. Valuations are undertaken by a professionally qualified valuer and also carry out a material change review at year end to ensure revaluations are kept up to date. Revaluations also take place when there has been a significant change to the asset (e.g. major building works).

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.

Decreases in valuations are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining decrease in value to the relevant service in the comprehensive income and expenditure statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

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

Impairment losses are accounted for by writing down the balance (if any) of revaluation gains in the revaluation reserve for that asset and then charging any remaining impairment to the relevant service in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all property, plant and equipment calculated on a straight-line allocation over their useful lives. An exception is made for assets without a determinable finite useful life, i.e. freehold land and certain community assets, if any, and assets that are not yet available for use, i.e. assets under construction, if any.

The residual value of an item of property, plant and equipment and its useful life are reviewed at the end of each financial year and, if expectations differ from previous reviews or there has been a significant change in the consumption of economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Where property, plant and equipment assets have major components whose cost is significant in relation to the total cost of the asset, depreciation on the components has been calculated and is not materially different from depreciation on the depreciable part of the whole asset. Components have not, therefore, been depreciated separately.

Revaluation gains are also depreciated by an amount equal to the difference between the current value depreciation charges on the assets and the historic cost depreciation charges on the assets, with this difference being transferred each year from the revaluation reserve to the capital adjustment account.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts are grouped together in determining the depreciation charge.

The Council has determined that dwellings and other property is subject to componentisation and are assessed against 2 components determined by the Council's valuer, namely land and buildings, components within buildings being assessed annually for materiality.

Disposal and Non-Current Assets Held for Sale

An asset is reclassified as an asset held for sale when it becomes probable that the carrying amount of the asset will be recovered principally through a sale transaction. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any subsequent decrease to fair value less costs to sell is posted to the other operating expenditure section in the comprehensive income and expenditure account but any gains in fair value are only recognised up to the amount of any previously recognised losses. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of, the carrying amount of the asset in the balance sheet is written off and any receipts on disposal are credited to the other operating expenditure section in the comprehensive income and expenditure account so that this section shows the net gain or loss on the disposal of non-current assets. The net gain or loss is then reversed out in the movement in reserves statement with the carrying amount transferred to the capital adjustment account and the receipts on disposal credited to the capital receipts reserve so that the net gain or loss is not met by council tax of rents.

Any revaluation gains in the revaluation reserve in respect of the asset are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

A proportion of capital receipts relating to housing disposals (75% for dwellings and 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government and shown in the other operating expenditure section in the comprehensive income and expenditure.

1.14 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation in the future that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service in the comprehensive income and expenditure statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the relevant risks and uncertainties. Any payments eventually made are charged against the provision, provisions are reviewed at the end of each financial year and any reduction in the need for the provision is credited back to the relevant service.

Contingent Liabilities

Contingent liabilities arise where events have taken place which gives the Authority possible obligations whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise where a provision would otherwise be made but either it is not probable that a settlement will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent Assets

Contingent assets arise where events have taken place which gives the Authority possible assets whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Developers' Contributions

Developers' contributions are monies received from developers under Section 106 of the Town and Country Planning Act 1990 for future expenditure on affordable housing, drainage, community costs and development etc. Any unused balances of these contributions at the Balance Sheet date are shown as receipts in advance under creditors until such time as the terms and conditions of receipt have been fully satisfied.

1.15 Reserves

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are unusable reserves and are kept to manage the accounting processes for non current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

1.16 Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure which is incurred during the year and which may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement. Such expenditure which is met from capital resources or from borrowing is then transferred out in the movement in reserves statement from the General Fund balance to the Capital adjustment account then reverses out the charge so that there is no impact on the council tax.

1.17 Value Added Tax (VAT)

VAT is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from Income.

1.18 Group Accounts

The boundary for Group Accounts is determined by the extent of the Council's control or influence over an entity, and the materiality of the relationship to users of the Council's accounts.

A subsidiary is an entity which the Council controls through the power to govern its financial and operational activities, so as to obtain benefits from the entity. Control is deemed to exist where the Council owns more than half of the entity.

An associate is an entity where the Council has significant influence over decision making, but stopping short of control. It is normally presumed that significant influence exists where the Council owns 20% or more of the entity.

A jointly controlled entity exists where the Council is party to the contractually and binding agreed shared control of an organisation, where strategic financial and operating decisions require unanimous consent of the parties sharing control.

Group accounts have been prepared for South Cambs Ltd (trading as Ermine Street Housing) and Shire Homes Lettings Limited, both wholly owned subsidiaries of South Cambridgeshire District Council. Investments in the subsidiary companies are recognised in the Balance Sheet as unquoted equity investments at cost.

1.19 Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. The restrictions have created significant issues for many businesses and residents and as a result from April 2020, Council income was affected detrimentally as payers sought to defer payments or were unable to pay at all. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £1.6 million in this regard.

Our most recent balances compared to the year end reported in these statements is as follows.

Date	General Fund	Housing Revenue Account	Earmarked Reserves
31/03/2019	£13.2m	£10.9m	£37.8m
31/03/2020	£19.1m	£6.6m	£37.2m

This still remains above our minimum level of GF balances as set by our CFO of £2.5 million.

We have carried out an assessment of the impact of Covid-19 on our future finances and we are satisfied that there is no material uncertainty relating to going concern.

Through our assessment we have identified that we expect in 2020/21:

Reductions in revenue relating to:-

1. Trade Waste – where we have assumed between a reduction of 25% for the first 6 months of the year
2. Commercial Income – 12% fall relating to lost rent on commercial investments and lost revenue from the Council’s wholly owned housing company on the assumption that the housing market will remain static for the first 6 months of the year
3. Planning fees – we have assumed a 20% loss for the first 6 months of the year
4. Business rates – where we have assumed losing £1 million for the year

Additional costs relating to Covid-19 assumed at £300,000 based on the expectations of the Council's Service leads and additional Waste expenditure due to falling recycling prices.

If the lockdown arrangements are to extend beyond the 6 months window into 2020 that we have set out above, we have not assumed any additional central government grants within in our assumptions and we have yet to make any assessment of further additional costs due to the uncertainty. Therefore, we would expect our 2020/21 outturn to show a revised surplus/deficit – taking into account all the above factors of £1.2 million. This would be funded from the General Fund balance – which would then have a predicted balance of £20.3 million at 31 March 2021.

We then expect that the Fair Funding Review for 2021/22 to be delayed, so we are assuming a flat rate of Government settlement for 2021/22. However, to be prudent we have left our assumption for 2021/22 in line with our previous MTFS planning, which would show a deficit in 2021/22 on the provision of services of £3.2 million. As a result, we were planning to draw on reserves to that extent in that year. As a result, our GF balance at 31 March 2022 is expected to be £17.1 million, on a worst case scenario.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The standards which have been introduced by the 2019/20 Code and will be effective from 1 April 2019 are as follows:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendment to IFRS12 Disclosure of Interests in Other Entities
- Amendments to IAS28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments and
- Amendments to IFRS 9 Fin. Instruments: Prepayment Features with Negative Compensation.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1 (accounting policies), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events, this includes a degree of uncertainty about the levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision or through changes to arrangements for service provision.

4. Assumptions Made About the Future and Other Major Sources of Estimation / Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Change in assumption	2017-18 inc. in liab. (£m)	2018-19 inc. in liab. (£m)
<i>0.5% decrease in real discount rate</i>	15.65	18.49
<i>0.5% increase in salary increase rate</i>	2.14	2.41
<i>0.5% increase in pension increase rate</i>	13.32	15.79

Pensions Liability

The main item in the Council's balance sheet as at 31 March 2019 for which there is a significant risk of material adjustment is the estimation of the pension liability by a consulting Actuary engaged by the pension fund administrator, Cambridgeshire County Council.

The estimation is over several decades where a small change in one of the assumptions can have a large effect on the liability and the Actuary has provided the following sensitivity analysis.

Fair Value Measurement

When the fair value of assets and liabilities cannot be measured based on quoted prices in an active market (Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observation data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities.

Where Level 1 input is not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

The most significant assets that the Authority has measured at fair value in the Balance Sheet where Level 1 inputs are not available are Investment Properties (Group Accounts) and Surplus Property, Plant and Equipment. Significant changes in any of the unobservable inputs in these valuations would result in significantly higher/lower fair value measurements.

Information about the valuation techniques and inputs used in determining the fair value of the Authority's assets and liabilities can be found in Notes 12, 15 and 20.

Property, Plant and Equipment:

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increased and the carrying value of the asset will decrease. The largest category of assets is Council dwellings and it is estimated that the annual depreciation charge for these would increase by approximately £600,000 for every year that useful lives had to be reduced.

Business Rates:

Following the introduction of the business rates retention scheme which came into effect from 1 April 2013 the Authority, acting as agent on behalf of the major preceptors, central government and itself is required to make provision for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, this includes amounts relating to non-domestic rates charged to businesses in 2018-19 and earlier financial years. The Council has estimated an amount, included in the collection fund which is considered to reflect the present obligation. NHS Trusts in the District have indicated their intention to lodge an application for mandatory business relief if successful this will impact the business rate income received by the Council, the associated risk has been recognised as a contingent liability.

5. Events After the Balance Sheet Date

The draft Statement of Accounts were authorised for issue by the S151 Officer (Peter Maddock) on 11th September 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events which took place after 31 March 2019 to issue / certification date. There were no events within that period that would be relevant to an understanding of the authority's financial position.

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses became unable to carry on operating and many employees were 'furloughed' on 80% of their existing salary paid by central government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did not exist at the 31 March 2019, this is therefore a non-adjusting event for which a limited estimate of its financial effect on the reporting entity can be made as at 31 March 2019, particularly with regards to financial impact for 2019/20 and future years and asset impairments, provision for impairment on receivables and pension valuations as at the balance sheet date.

6. Expenditure and Funding Analysis

Adjustments between Funding & Accounting Basis

The Expenditure and Funding Analysis is complementary to the Movement in Reserves Statement and Comprehensive Income & Expenditure Account. The overall purpose of the Expenditure and Funding Analysis is to analyse the amounts reported in the Comprehensive Income and Expenditure Account as operating reporting segment outturn totals across specific types of Reserves.

2017/18				2018/19			
<i>Net Exp. Charge-able to General Fund & HRA Balances</i>	<i>Adjs between the funding & account-ing basis Capital</i>	<i>Adjs between the funding & account-ing basis Other</i>	<i>Net Expenditure in the Comp. Income & Expenditure Statement</i>	<i>Net Exp. Charge-able to General Fund & HRA Balances</i>	<i>Adjs between the funding & account-ing basis Capital</i>	<i>Adjs between the funding & account-ing basis Other</i>	<i>Net Expenditure in the Comp. Income & Expenditure Statement</i>
£000	£000	£000	£000	£000	£000	£000	£000
1,125	1,740	2,324	5,189	(4,645)	6,709	3,162	5,226
6,090	491	-	6,581	6,463	704	-	7,168
1,225	296	-	1,521	1,158	316	-	1,474
2,806	-	-	2,806	3,493	0	-	3,494
(7,443)	(11,959)	459	(18,943)	(1,236)	(12,025)	462	(12,799)
1,224	-	-	1,224	918	-	-	918
5,027	(9,432)	2,783	(1,622)	6,151	(4,295)	3,624	5,480
-	-	-	-	-	-	-	-
(10,901)	(2,767)	(1,228)	(14,896)	(15,898)	(3,959)	985	(18,873)
(5,874)	(12,199)	1,555	(16,518)	(9,747)	(8,254)	4,609	(13,392)
-	(23,662)	(2,599)	(26,261)	-	23,464	9,245	32,709
(5,874)	(35,861)	(1,044)	(42,779)	(9,747)	15,210	13,854	19,316

Expenditure & Income Analysed by Nature

2017/18 TOTAL (Sur.)/ Def. £'000	Subjective Analysis	2018/19 GF, HRA & Earmarked £'000	2018/19 Charges to Non-GF Res. £'000	2018/19 TOTAL (Surplus) / Deficit £'000
23,651	Expenditure	19,806	3,624	23,430
48,724	* Employee Expenses (including Benefits)	65,140	(12,628)	52,512
0	* Other Service Expenses	0	0	0
1,108	* Support Service Recharges	(626)	8,267	7,641
7,193	* Depr., Amortisation and Impairment	7,193	0	7,193
5,434	Interest Payments	5,816	0	5,816
1,510	Precepts and Levies	1,576	0	1,576
492	Pen. Int. costs & expected return on assets	0	523	523
88,112	Total Expenditure	98,905	(214)	98,691
(41,797)	Income	(50,293)	0	(50,293)
(33,308)	* Fees, Charges and Other Service Income	(27,876)	66	(27,810)
(1,896)	* Gov. Grants/Contributions (Services)	5	(3,638)	(3,633)
0	Gain on the disposal of assets	0	0	0
(6,200)	Gain on the disposal of assets (Financing)	(6,110)	(844)	(6,955)
(1,452)	Government Grants/Contributions (Central)	(2,274)	0	(2,274)
(13,308)	Interest and Investment Income	(14,113)	(60)	(14,173)
(6,669)	Income From Council Tax	(7,991)	1,045	(6,946)
(104,630)	Total Income	(108,652)	(3,431)	(112,083)
(16,518)	(Surplus)/Deficit on Provision of Services	(9,747)	(3,645)	(13,392)

KEY: * Net Cost of Service (NCoS)

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un- applied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
2018/19						
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds cr. as part of gain\loss on disposal to CIES	1,195	5,445	-	(6,640)	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	-	-	-	-
Used to finance new Capital Expenditure	-	-	-	4,654	-	(4,654)
Contribution towards administrative costs of non-current asset disposals	(8)	6	-	2	-	-
Contribution to finance the payments to the Government capital receipts pool	(523)	-	-	523	-	-
Adjustments Primarily Involving the Capital Grants Unapplied Account	143	-	-	-	(143)	-
Adjustments Involving the Capital Adjustment Account: Exclusions						
Charges for depreciation and impairment of non-current assets	(1,596)	(6,620)	-	-	-	8,216
Upward/(Downward) revaluation of non-current assets	-	-	-	-	-	-
Amortisation of intangible assets	(51)	-	-	-	-	51
Capital Grants and contributions applied	27	751	-	-	-	(778)
Revenue expenditure funded from Capital under statute	(76)	-	-	-	-	76
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to CIES	(452)	(2,550)	-	-	-	3,002
Statutory provision for repayment of debt (MRP)	87	-	-	-	-	(87)
Capital expenditure charged against the General Fund and HRA balances	(8)	5,827	-	-	-	(5,819)
Other	36	(4)	-	-	-	(31)
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Rec. Res. upon revaluation of rents to mortgages	5	-	-	-	-	(5)
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	-	6,620	(6,620)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,455	-	-	(6,455)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES	(3,162)	(462)	-	-	-	3,624
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	(985)	-	-	-	-	985
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-	-	-	-	-	-
Total Adjustments	(5,368)	9,013	(165)	(1,461)	(143)	(1,876)

	Usable Reserves					Movement in Unusable Reserves
	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	
2017/18	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds cr. as part of gain\loss on disposal to CIES	5,869	-	-	(5,869)	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	-	-	-	-
Used to finance new Capital Expenditure	-	-	-	7,008	-	(7,008)
Contribution towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(492)	-	-	492	-	-
Adjustments Primarily Involving the Capital Grants Unapplied Account	-	-	-	-	(29)	29
Adjustments Involving the Capital Adjustment Account: Exclusions						
Charges for depreciation and impairment of non-current assets	(1,343)	(6,260)	-	-	-	7,603
Upward/(Downward) revaluation of non-current assets	(400)	5,316	-	-	-	(4,916)
Amortisation of intangible assets	(77)	-	-	-	-	77
Capital Grants and contributions applied	(247)	522	-	-	-	(275)
Revenue expenditure funded from Capital under statute	(643)	-	-	-	-	643
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(4,239)	1,391	-	-	-	2,848
Statutory provision for repayment of debt (MRP)	472	-	-	-	-	(472)
Capital expenditure charged against the General Fund and HRA balances	-	6,121	-	-	-	(6,121)
Other	(51)	-	-	-	-	51
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Rec. Res. upon revaluation of rents to mortgages	-	0	-	-	-	0
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	-	6,260	(6,260)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,260	-	-	(6,260)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES	(2,323)	(459)	-	-	-	2,782
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements	1,230	-	-	-	-	(1,230)
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	-	-	-	-	3
Total Adjustments	(2,247)	12,891	-	1,631	(29)	(12,246)

8. Movements in Earmarked Reserves

This note sets out the amount set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2017-18 and 2018-19 together with the aggregate Balances for the General Fund including HRA.

	Balance 31 March 2017	Transfers In	Transfers Out	Balance 31 March 2018	Transfers In	Transfers Out	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Business Rates Growth	(5,821)	(561)	152	(6,230)	-	-	(6,230)
Infrastructure	(3,318)	-	-	(3,318)	-	-	(3,318)
Greater Cambridge City Deal	(4,319)	-	1,224	(3,095)	(922)	886	(3,131)
Renewables	(144)	(4,133)	561	(3,716)	(834)	75	(4,475)
Pensions	733	(1,436)	66	(637)	-	166	(471)
Vehicle Renewables	(1,148)	-	-	(1,148)	(758)	-	(1,906)
Accommodation	(281)	-	-	(281)	(50)	-	(331)
Business Efficiency	(240)	-	-	(240)	(4,050)	264	(4,026)
Electorial Registration	(109)	-	-	(109)	-	-	(109)
Land Charges	(127)	-	-	(127)	(269)	-	(396)
Environmental	(77)	(269)	17	(329)	(83)	51	(361)
Planning	(1,537)	(1,087)	37	(2,587)	(64)	9	(2,642)
Other	(922)	(132)	949	(105)	(5)	69	(41)
Homelessness	0	(194)	28	(166)	(381)	95	(452)
Community Development	(144)	-	30	(114)	-	1	(113)
Housing	(320)	(415)	564	(171)	(123)	13	(282)
General Fund	(17,774)	(8,227)	3,628	(22,373)	(7,539)	1,628	(28,284)
Self Insurance	(1,000)	-	-	(1,000)	-	-	(1,000)
Investment Repayment	(8,500)	-	-	(8,500)	-	-	(8,500)
Housing Revenue Account	(9,500)	-	-	(9,500)	-	-	(9,500)
Total Earmarked Reserves	(27,274)	(8,227)	3,628	(31,873)	(7,539)	1,628	(37,784)

Earmarked reserves with material balances or movements (over £1m);

Business Rates Growth- Balances for future use on improving returns on Business rates within the business sector.

Infrastructure- Balances for future use on A14 improvements scheme.

Greater Cambridge City Deal- Balances for future use to encouraging business to base themselves in the district.

Renewables- Balances for future use on renewable sources of energy.

Pensions- Balances for future use off-setting the pensions deficit and pension elements of exit packages.

Vehicle Renewables- Balances for future use on replacement vehicles for environmental services.

Planning- Balances for use on general planning matters plus the shared service with partner organisations started in 2018/19.

HRA Self-insurance- Balances for future use on unforeseen, one-off, eventualities within the HRA.

HRA Investment Repayment- Balances for future use in redemption of long term borrowing under HRA self-financing arrangements.

9. Other Operating Income and Expenditure

	31 March	
	2019 £000	2018 £000
Parish Council Precepts	5,397	5,089
Internal Drainage Boards	193	193
Enterprise Zones	226	152
Payments to the Government Housing Pool	523	492
(Gains) / losses on the disposal of non-current assets	(3,633)	(1,896)
Total	2,706	4,030

10. Financing and Investment Income and Expenditure

	31 March	
	2019 £000	2018 £000
Interest payable and similar charges	7,193	7,193
Pensions interest cost	1,576	1,510
Interest receivable and similar income	(2,274)	(1,452)
Total	6,494	7,251

11. Taxation and Non Specific Grant Income and Expenditure

	31 March	
	2019 £000	2018 £000
Council Tax Income	(14,173)	(13,308)
Non Domestic Rate Income	(6,946)	(6,669)
Non-ring fenced Government Grants (see note 28 for breakdown)	(6,110)	(5,964)
Capital Grants and Other Contributions (see note 28 for breakdown)	(844)	(236)
Total	(28,073)	(26,177)

12. Property, Plant and Equipment

Depreciation starting in the year after acquisition is provided for on non-current assets by writing down the cost (or re-valued amount) less estimated residual value, on a straight-line basis to the appropriate revenue account over the following periods:

- * Council dwellings – 13 to 54 years,
- * Buildings other than dwellings – 8 to 40 years,
- * Vehicles, plant and equipment – 3 to 14 years.

No depreciation is charged on surplus assets held for sale or freehold land in accordance with standard accounting policies. The depreciation charged on dwelling stock is reversed out at 31 March each year when the housing stock is revalued so this charge has no impact on the fair value of the housing stock as recorded in the Balance Sheet.

	Council Dwell- ings	Other Land & Buildings	Vehicles, Plant & Equip- ment	Infra- structure Assets	Assets Under Const- ruction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2018	479,840	27,943	9,137	1,473	7,713	152	526,258
<i>Adjustments</i>	4,318	1,085	-	-	(5,315)	-	88
<i>Additions</i>	7,945	635	1,481	-	7,291	-	17,352
<i>Revaluation Credited to Reval. Res.</i>	(23,144)	(320)	-	-	-	-	(23,464)
<i>Revaluation Applied to the CIES</i>	-	-	-	-	-	-	-
<i>Accum Depr & Impairment w/o on Revaluation</i>	(6,655)	(307)	-	-	-	-	(6,962)
<i>Derecognition- Disposals</i>	(2,016)	(452)	-	-	-	-	(2,469)
Gross Book Value 31 March 2019	460,288	28,584	10,618	1,473	9,689	152	510,803
Depreciation 01 April 2018	(79)	(328)	(4,287)	(125)	-	-	(4,819)
<i>Adjustments</i>	79	(79)	-	-	-	-	-
<i>Depreciation in Year</i>	(6,655)	(538)	(977)	(46)	-	-	(8,216)
<i>Depreciation written out to Reval. Res.</i>	-	-	-	-	-	-	-
<i>Depreciation written out to CIES</i>	-	-	-	-	-	-	-
<i>Accum Depr & Impairment w/o on Revaluation</i>	6,655	307	-	-	-	-	6,962
<i>Derecognition- Disposals</i>	-	-	-	-	-	-	-
Depreciation 31 March 2019	-	(638)	(5,264)	(171)	-	-	(6,073)
Net Book Value 31 March 2019	460,288	27,946	5,354	1,302	9,689	152	504,731

	Council Dwell-ings	Other Land & Buildings	Vehicles, Plant & Equip-ment	Infra-structure Assets	Assets Under Const-ruktion	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2017	451,699	27,236	8,597	1,551	114	152	489,349
Adjustments	103	(123)	(1,524)	(78)	-	10	(1,613)
-Transfers to Intangibles	-	-	(387)	-	-	-	(388)
Additions	9,201	1,653	2,453	-	7,226	-	20,533
Revaluation Credited to Reval. Res.	21,117	6	-	-	373	-	21,496
Revaluation Applied to the CIES	354	(742)	-	-	-	-	(388)
Derecognition- Disposals	(2,611)	(87)	(2)	-	-	(10)	(2,710)
Other	(23)	-	-	-	-	-	(23)
Gross Book Value 31 March 2018	479,840	27,943	9,137	1,473	7,713	152	526,258
Depreciation 01 April 2017	(5)	(610)	(5,068)	(157)	-	-	(5,840)
Adjustments	5	203	1,536	78	-	-	1,822
Depreciation in Year	(6,184)	(617)	(755)	(46)	-	-	(7,602)
Depreciation written out to Reval. Res.	1,167	79	-	-	-	-	1,246
Depreciation written out to CIES	4,938	617	-	-	-	-	5,555
Derecognition- Disposals	-	-	-	-	-	-	-
Depreciation 31 March 2018	(79)	(328)	(4,287)	(125)	-	-	(4,819)
Net Book Value 31 March 2018	479,761	27,615	4,850	1,348	7,713	152	521,439

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Carried Historical Cost	-	-	10,618	1,473	9,689	-	21,780
Valued at Current Value as from:							
31st March 2019	460,288	28,584	-	-	-	152	489,023
Total Cost or Valuation	460,288	28,584	10,618	1,473	9,689	152	510,803

Revaluations

It is a requirement that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. The Council carries out a programme that will ensure the valuer undertakes an annual desk top revaluation review with an in depth valuation at least every five years.

Valuations, with an effective date of 31 March 2019, on the bases set out in the statement of accounting policies have been carried out for all land and buildings, as follows:

- Council dwellings relating to the Housing Revenue Account, by Wilks, Head & Eve LLP and
- Non-operational assets relating to the HRA, by Mr Paul Gedge, MRICS, District Valuer, East of England and
- Other land and buildings, by Mr Paul Gedge, MRICS, District Valuer, East of England.

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date. Council dwellings are valued on the prescribed basis set out in note 30.

The valuation of operational property was on the basis of existing use value. Further detail on the basis for valuation is set out in the statement of accounting policies.

Surplus assets are valued at fair value (at level 3 of the fair value hierarchy) as at 31 March 2019. This value represents the development potential based on a value per net developable acre taking into account planning risk.

Details on investment property valuation can be found in Note G2 (Group Accounts).

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

13. Investment and Borrowing

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

The following shows the original principal sum invested at 31 March analysed by the nature of the financial institution and by maturity, these investments (other than South Cambs Ltd) are fixed time and callable deposits where the deposits are redeemed for the same value as the amount invested. The deposits are with United Kingdom banks and building societies and, therefore, no provision is made for possible loss of principal.

	31 March			
	2019 short term £000	2019 long term £000	2019 Total £000	2018 Total £000
Local Authorities	-	-	4,524	4,001
South Cambs Limited	-	-	59,455	35,913
Clearing Banks	-	-	14,180	20,584
Subsidiaries of Clearing Banks	-	-	-	-
Banks (other)	-	-	4,027	5,019
Money Market Funds	-	-	7,179	3,427
Building Societies with assets: > £10 billion	-	-	3,016	8,044
Housing Association	-	-	5,047	5,047
Other	-	-	1,263	-
Government Securities and Equity Shares	-	-	-	50
	-	-	98,693	82,085
Less: cash and cash equivalents	-	-	(7,250)	(7,427)
Total	-	-	91,443	74,658
Principal Investment analysed by maturity				
2018/19	-	-	-	65,289
2019/20	80,438	-	80,438	-
2020/21	-	9,970	9,970	8,715
Government Securities and Equity Shares	-	-	-	50
Accrued Interest	1,035	-	1,035	604
	81,473	9,970	91,443	74,658

Long Term Borrowing for HRA Financing

In March 2012 the Council obtained 41 individual loans with maturity dates between 2037 and 2057 from the Public Works Loan Board (PWLB) to finance the one-off payment to buy the Council out of the negative subsidy position at the end of 2011/12. The loans have been included in the Balance Sheet at amortised cost, administration charges where incurred are charged directly to the Housing Revenue Income and Expenditure Account. An analysis of the PWLB long term liability is provided below:

	31 March	
	2019 £000	2018 £000
Repayable within 25 years	(75,000)	(65,000)
Repayable within 30 years	(50,000)	(50,000)
Repayable within 35 years	(50,000)	(50,000)
Repayable within 40 years	(30,123)	(40,123)
Repayable within 45 years	-	-
Net Carrying Amount at end of the year	(205,123)	(205,123)

14. Long Term Debtors

	31 March	
	2019 £000	2018 £000
Webbs Hole Sluice	640	640
Long Term Loans (given before 2012/13)	330	330
Net Carrying Amount at end of the year	970	970

15. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term 31 March		Current 31 March	
	2019 £000	2018 £000	2019 £000	2018 £000
Financial liabilities at amortised cost				
Borrowing	(205,123)	(205,123)	(3,000)	-
Cash	-	-	(1,402)	(965)
Trade creditors	-	-	(19,303)	(19,684)
Total financial liabilities	(205,123)	(205,123)	(23,706)	(20,649)
Loans and receivables				
Investments	9,970	8,765	81,473	65,893
Trade debtors	970	970	10,022	9,619
Cash	-	-	7,250	7,426
Total financial assets	10,940	9,735	98,745	82,938

Income and Expense Gains and Losses

Interest Payable and Receivable is shown in the Comprehensive Income & Expenditure Account and notes.

Fair Values of Assets and Liabilities

Financial liabilities and assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions.

For trade payables, bank deposits and trade receivables, being of short duration, and for long term mortgages, being at variable rates, the carrying value in the balance sheet is considered approximate to their fair value.

For investments, which are mainly at fixed rates, fair value has not been calculated and the Code has not been complied with in this respect.

Estimated ranges of interest rates at 31 March 2019 of 0.88% to 1.44% (1.44% to 1.61% at 31 March 2018) for SCDC loans from the Public Works Loans Board based on premature repayment rates at that date.

Fair value is the amount determined by knowledgeable, willing parties in an arm's length transaction. Local authorities are required to follow the fair value hierarchy prescribed by paragraphs 76-90 of IFRS13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value, these include:

- Level1 inputs- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level2 inputs- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly
- Level3 inputs- unobservable inputs for the asset or liability

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level1 inputs) and the lowest priority to unobservable inputs (Level3 inputs).

The fair values and carrying values are considered to be the same with the exception of the following;

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long term borrowing	(205,123)	(303,063)	(205,123)	(296,854)
Total Financial Liabilities	(205,123)	(303,063)	(205,123)	(296,854)

Equity shares, as available for sale assets are required to be valued at fair value if material. The Council has made an exception to this treatment in respect of its shareholding in the UK Municipal Bonds Agency Plc. The shares in this company were carried at cost of £50,000 and were not been valued as a fair value cannot be measured reliably. The company is only recently established and has no trading history. There is no organisation which might provide comparable market data. However, the Council has disposed of this shareholding within 2018/19.

The fair value of the long term PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for a market transaction undertaken at the balance sheet date. The difference between the carrying amount and the fair value measure the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing rates.

The fair value of the loans from the PWLB has been assessed using the new loans rate. IFRS13 and the Code require that in the absence of a quoted price for a liability, fair value should be measured from the perspective of a market participant. For PWLB loans, measurement is therefore required from the perspective of the PWLB, assessing the price that they would be able to secure if they were to sell the loans in an orderly market transaction. However, it is sometimes not possible to find observable active markets.

If the Council were to seek to take advantage of the lower prevailing market rates by repaying current PWLB loans, the PWLB would charge a penalty and the Council would have to pay an early redemption rate. The exit price for PWLB loans including this penalty would be over £250m.

The fair value of the liabilities is greater than the carrying amount because the Council's loan portfolio includes fixed rate loans where the interest rate payable is greater than the prevailing rates at the balance sheet date.

16. Short Term Debtors and Payments in Advance

An analysis of debtors falling due within one year is shown below:

31 March				
	2019 Core £000	2019 Coll. Fund £000	2019 Total £000	2018 Total £000
Central Government Bodies	5,492	-	5,492	6,320
Local Authorities	2,089	-	2,089	1,911
NHS	139	-	139	129
Other Entities and Individuals	4,381	448	4,829	6,691
Payments in Advance	71	-	71	-
Total debtors and payments in advance	12,172	448	12,620	15,051
Less: Provision for Bad Debts / Impairment				
Council Tax Arrears- Council share	-	(42)	(42)	(41)
NDR Arrears- Council share	-	(79)	(79)	(80)
Housing (HRA)	(454)	-	(454)	(418)
Sundry Debtors (customer debt)	(1,854)	-	(1,854)	(1,962)
Total provisions for bad debts / impairments	(2,308)	(121)	(2,429)	(2,501)
Total net figure	9,864	327	10,191	12,550

The credit risk associated with accounts payable to the Council is reflected in the provisions made in the accounts for doubtful debts.

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March		
	2019 £000	2018 £000
Cash held by the Authority	-	-
Bank Current Accounts	-	-
Short-term Deposits with Money Market	7,250	7,426
Bank Overdrafts	(1,402)	(965)
Total Cash and Cash Equivalents	5,848	6,461

Payments for financing activities include annual interest of £7.193m (£7.193m 2017/18) relating to long term borrowing by the Housing Revenue Account, further details are provided in Note 13.

18. Short Term Creditors and Receipts in Advance

An analysis of creditors falling due within one year is shown below:

	31 March			
	2019 Core £000	2019 Coll. Fund £000	2019 Total £000	2018 Total £000
Central Government Bodies	(4,981)	(7,931)	(12,912)	(12,666)
Local Authorities	(3,972)	(2,639)	(6,612)	(3,239)
NHS	(49)	-	(49)	-
Other Entities& Individuals (inc S106 Cont, see next table)	(10,404)	-	(10,404)	(15,111)
Reciepts in Advance	(402)	(1,027)	(1,430)	(801)
Total creditors and reciepts in advance	(19,809)	(11,598)	(31,407)	(31,817)

Developer (S106) Contributions:

Developers' contributions are monies received from developers under section 106 of the Town and Country Planning Act 1990 which contribute to the infrastructure costs for drainage and to community arts and development and are detailed below:

	31 March	
	2019 £000	2018 £000
Capital		
Commutated sums	(2,755)	(82)
Partnership works on awarded watercourses	-	(235)
Drainage	-	-
Community Transport Initiative	(259)	(259)
Affordable Housing s106	(3,708)	(4,313)
	(6,723)	(4,889)
Revenue		
Sustainability s106 Orchard park	(54)	(54)
Public art s106 Orchard Park	(50)	(50)
Community development s106	(139)	(12)
Electoral arrangements	(7)	(116)
Waste Management	(80)	(116)
	(330)	(348)
Total Cash and Cash Equivalents	(7,053)	(5,237)

19. Provisions

Provisions included in the balance sheet consist of provisions for bad and doubtful debts, which have been netted off against debtors as shown in the Balance Sheet and Note 16, and a provision for Accumulated Compensated Absences of £0.257m.

New arrangements for the retention of business rates came into effect on 1 April 2013, at which time the Council assumed liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list, which will include amounts that were paid over to central Government in respect of 2012-13 and prior years. A provision for these liabilities of £3.504m has been recognised in the 2018-19 accounts, and the in-year movement is shown in Note CF3.

20. Unusable Reserves

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March	
	2019 £000	2018 £000
Revaluation Reserve	78,306	104,257
Capital Adjustment Account	218,128	209,159
Pension Reserve	(70,548)	(57,679)
Deferred Capital Receipts Reserve	88	83
Collection Fund Adjustment Account	2,299	3,284
Accumulated Absences Account	(257)	(257)
Total Unusable Reserves	228,015	258,847

Revaluation Reserve

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

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

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

	31 March	
	2019 £000	2018 £000
Balance as at 01 April	104,257	82,984
Net reval. of assets not charged to surplus/deficit on provision of	(23,464)	23,662
Depreciation Adjustment	(1,652)	(1,658)
Disposals / Reinstatements	(836)	(731)
Balance as at 31 March	78,306	104,257

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	31 March	
	2019 £000	2018 £000
Balance as at 01 April	209,159	192,969
Capital expenditure financed from;		
Capital receipts reserve	4,653	7,008
Capital exp. charged against GF and HRA balances	5,743	6,121
Capital grants unapplied reserve	-	(29)
Other capital grants & contributions	778	275
Major repairs allowances / reserve	6,455	6,260
Internal financing (Minimum Revenue Provision)	87	472
Write out of revaluation gain on disposal from Revaluation Reserve	836	731
Disposal of assets	(3,002)	(2,848)
Revaluation impairment through CIES	-	4,916
Depreciation, amortisation and impairment	(8,268)	(7,680)
Depr., amortisation and impairment written off from Reval. Reserve	1,652	1,658
Reversal of impairment on revaluation	-	-
Write out of revenue exp. funded from capital under statute	(76)	(643)
Other	110	(51)
Balance as at 31 March	218,128	209,159

The fair value of long term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Pension Reserve

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

See Note 32 for further details of the Reserve Balance which equates to the Liability.

	31 March	
	2019 £000	2018 £000
Balance as at 01 April	(57,679)	(57,496)
Remeasurements of the net defined liability / (asset)	(9,245)	2,599
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,818)	(6,708)
Employers pensions contributions and direct payments to pensioners payable in the year	4,194	3,926
Balance as at 31 March	(70,548)	(57,679)

Deferred Capital Receipts

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

	31 March	
	2019 £000	2018 £000
Balance as at 01 April	83	83
Movement in year	5	0
Balance as at 31 March	88	83

Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the amount that the Council owes itself at the year end arising from the declared Collection Fund Surplus for the year. This amount is not permitted to be allocated to the General Fund under Statute hence it's inclusion within this Reserve.

See Collection Fund Accounts for further details

	2018/19 £000	2017/18 £000
Balance as at 01 April	3,284	2,054
Amount by which non-domestic rates income credited to CIES is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(1,045)	726
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statutory requirements	60	504
Balance as at 31 March	2,299	3,284

Accumulated Absence Reserve

The Accumulating Compensated Absences Reserve reflects the input of excess staff time utilised at the Balance Sheet Date which will be paid in kind beyond the Balance Sheet Date in the form of excess leave or flexi time carried forward.

	2018/19 £000	2017/18 £000
Balance as at 01 April	(257)	(254)
Amount by which officer remuneration on an accruals basis is different from remuneration chargeable by statute	-	(3)
Balance as at 31 March	(257)	(257)

21. Cash Flow Statement - Operating Activities

Adjust net surplus or deficit on the provision of services for non cash movements

	31 March	
	2019 £000	2018 £000
Depreciation	8,267	7,679
Impairment and upward revaluations	-	(5,168)
Increase / (decrease) in creditors	(128)	7,384
Increase / (decrease) in provisions	664	16
(Increase) / decrease in debtors	2,358	(4,466)
(Increase) / decrease in inventories	(16)	(59)
Pension Liability	3,624	2,782
Carrying amount of Non-Current Assets sold	3,002	2,848
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	-	193
Total	17,772	11,209

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

	31 March	
	2019 £000	2018 £000
Creditors relating to Section 106 etc.	1,816	224
Creditors relating to Collection Fund Agencies	1	(4,489)
Proceeds from the sale of property and equipment, investment property and intangible assets	(6,635)	(4,745)
Total	(4,818)	(9,009)

Operating activities within the cashflow statement include the following cash flows relating to interest and other operating activities

	31 March	
	2019 £000	2018 £000
Interest Received	2,274	1,446
Interest Charge for the Year	(7,193)	(7,193)
Other Operating Activities	-	-
Total	(4,918)	(5,747)

22. Cash Flow Statement - Investing Activities

	31 March	
	2019 £000	2018 £000
Purchase of Property, Plant and Equipment, Investing Property	(17,710)	(21,052)
Purchase of Short-term and Long-term Investments	(16,785)	(6,508)
Purchase of Short-term and Long-term Borrowing	3,000	-
Other Payments for Investing Activities	-	-
Proceeds from Sale of Property, Plant and Equipment, Investment	6,635	4,745
Other Receipts from Investing Activities	-	-
Total	(24,860)	(22,816)

23. Cash Flow Statement - Financing Activities

	31 March	
	2019 £000	2018 £000
Creditors relating to Section 106 etc.	(1,816)	(224)
Creditors relating to Collection Fund Agencies	(283)	4,489
Total	(2,100)	4,265

24. Trading Operations

There were no trading operations at the Council in 2018/19 or prior.

25. Members Allowances

South Cambridgeshire District Council was represented by a total of 57 Councillors until May 2018, following a boundary review the number reduced to 45. Further information is available upon request from the Democratic Services Manager, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

		31 March	
		2019 £	2018 £
Allowances		305,807	374,201
Expenses		27,988	20,200
Total Member Allowances		333,795	394,401

26. Officer Remuneration

Senior Officer Remuneration:

2018/19					
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Chief Executive (ended 28th Feb 2019) #1 #2	130,034	-	19,984	202,455	352,473
Executive Dir. (Corp. Services) (Retired 31st Dec'18)	80,315	-	12,604	-	92,919
Interim Executive Dir. (Corporate Serv.) (from Jan 2019)	34,300	-	-	-	34,300
Director of Health & Env. Services #2 #4	95,906	-	16,253	-	112,158
Director of Housing (ended 22nd July 2018) #4	29,823	-	-	-	29,823
Director of Planning & Eco. Dev. #3	106,152	-	18,046	-	124,198
Total	476,529	-	66,887	202,455	745,871

#1- Loss of office cost is add pension cont payable due to early retirement.

#2- Includes acting up to Chief Executive from 1st March 2019, with remuneration.

#3- Shared Director with Cambridge City Council, 100% of remuneration costs shown above, costs shared 50:50.

#4- Includes acting as Dir. Of Housing from 23rd July 2018, without remuneration.

2017/18

	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Chief Executive (from 1st July 2017)	91,566	-	15,566	-	107,132
Interim Chief Exec. (until 30th Jun'17)	50,232	-	6,806	-	57,038
Executive Dir. (Corporate Services)	82,097	-	13,957	-	96,054
Director of Health & Env. Services	85,994	-	14,500	-	100,494
Director of Housing	85,296	-	1,208	-	86,504
Dir.of Plan.&Eco.Dev.(from Jun'16) #3	105,101	-	17,867	-	122,968
Total	500,286	-	69,904	-	570,190

The number of employees, excluding Senior Officers shown below, whose remuneration was £50,000 or more were:

	31 March	
	2019 No of Employees	2018 No of Employees
Remuneration Band		
£50,000 - £54,999	8	12
£55,000 - £59,999	6	1
£60,000 - £64,999	3	1
£65,000 - £69,999	1	1
£70,000 - £74,999	0	1
Total	18	16

Remuneration for these purposes includes all sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits other than in cash. As remuneration includes redundancy and compensation for loss of office, the number of employees in each salary band can vary from year to year. Pension contributions payable by either the employee or employer are excluded.

Termination Benefits

Exit packages are those that have been agreed by the Authority, i.e. those packages for which the Authority is demonstrably committed and, have been paid in 2018/19 or are committed to be paid within 12 months. The costs included are those termination benefits defined and measured in accordance with the Code of Practice and include all relevant redundancy costs, pension contributions in respect of early retirement, ex gratia payments and other departure costs.

2018/19				
Exit Package Cost Band (including special payments)	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £000
£0 - £20,000	2	1	3	23
£20,001 - £40,000	-	1	1	30
£40,001 - £60,000	-	1	1	44
.....				
£200,001 - £220,000	-	1	1	202
Total Cost Included in Bandings and in the CIES	2	4	6	300

	2017/18			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band £000
Exit Package Cost Band (including special payments)				
£0 - £20,000	2	-	2	18
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
Total Cost Included in Bandings and in the CIES	2	-	2	18

27. External Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims and returns:

	31 March	
	2019 £000	2018 £000
External Audit Services 2018/19	57	-
Certification of Grant Claims & Returns 2018/19	9	-
Housing pooling capital receipts 2018/19	4	-
External Audit Services 2017/18	-	57
Certification of Grant Claims & Returns 2017/18	-	11
Additional Audit Fee 2017/18	-	80
Housing pooling capital receipts 2017/18	-	4
Additional Audit Fee 2016/17	-	34
Housing pooling capital receipts 2016/17	-	4
Total External Audit Fees	70	190

28. Grants and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

	31 March	
	2019 £000	2018 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	-	(230)
New Homes Bonus	(3,010)	(3,932)
Other non-ringfenced government grants	(605)	(351)
Business Rates	(2,496)	(1,451)
Capital Grants and Contributions	(844)	(236)
Total Grants and Contributions	(6,955)	(6,200)

	31 March	
	2019 £000	2018 £000
Credited to Services		
Department for Work and Pensions (DWP)- Housing Benefit	(25,644)	(26,708)
Cabinet Office (CO)- Electoral	(20)	(24)
Ministry for Hou, Comm. and Local Government (MHCLG)	(311)	(290)
Other Government Grants	(1,193)	(1,191)
Private Sector Grants- s106 Grants	(5)	(16)
Contributions from other Local Authorities- Improvement Grants (capital)	(636)	-
Total Grants and Contributions	(27,810)	(28,229)

29. Related Party Declarations

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties, for example Collection Fund surplus or deficit. Details of transactions with government departments and Precepting authorities are set out in Note 28 and the Collection Fund Statement.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018-19 is shown in Note 25.

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Councils group accounts. Council employee Mike Hill (unpaid) and Councillors Ian Sollom and John Batchelor are Directors of Ermine Street Housing. Council employee Heather Wood (unpaid) is Director of Shire Homes Lettings Limited. Please see Note G3 to the Group Accounts regarding loans and investments.

In 2018-19, there were no reported material related party transactions that are not disclosed elsewhere in the accounts. Members Senior Officers and statutory post holders are required to ensure up-to-date disclosures with respect to related parties, through registers of interests. Cllr Nigel Cathcart is a Director of the Farmland Museum which recieved £8,500.00p SCDC grant in 2018/19.

30. Capital Expenditure and Financing

The total amount of capital enhancement incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital enhancement is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	31 March			
	2019 HRA £000	2019 GF £000	2019 TOTAL £000	2018 TOTAL £000
Opening Capital Financing Requirement	204,429	42,422	246,851	225,367
Capital Investment				
Loan to Ermine Street *	-	23,147	23,147	20,260
Intangible Assets	-	296	296	387
Non-current	15,625	1,795	17,420	20,301
Revenue Exp. Funded from Capital Under Statute	-	76	76	643
Sources of Finance				
Capital receipts and contributions	(2,881)	(1,772)	(4,653)	(7,008)
Revenue	(5,538)	(205)	(5,743)	(6,121)
Grants and Reserves	(751)	(27)	(778)	(246)
Major repairs reserve	(6,455)	-	(6,455)	(6,260)
MRP from Capital Adjustment Account	-	(87)	(87)	(472)
Closing Capital Financing Requirement	204,429	65,645	270,075	246,851

* The loans made to South Cambs Limited, from cash balances, are recognised as capital in year, increasing the Council's underlying need to borrow.

31. Leases

There were no finance lease agreements during 2018/19 or prior.

The Council has no operating leases. Payments of £84,719 in respect of vehicle contract hire were made in 2018-19 (£599,462 in 2017-18), this reduction is due to a change in policy away from hire towards out right ownership.

The future minimum contract hire payments for vehicles due under non-cancellable agreements in future years are:

	31 March	
	2019 £000	2018 £000
Minimum Lease Payments		
Current (not later than one year)	0	9
Non Current (later than one year but not later than five years)	0	0
Non Current (later than five years)	0	0
Total Minimum Lease Payments	0	9

32. Pensions

The Council participates in the national Local Government Pension Scheme which is a funded defined benefit (final salary) scheme and which also provide historic unfunded discretionary benefits, both of which are administered by Cambridgeshire County Council. With the funded scheme, the Council (the employer) and employees both pay contributions into the pension fund with the employer's contribution calculated every three years at a level intended to balance the scheme assets and liabilities over a twenty year period.

The transactions below have been made in the CIES during the year.

Comprehensive Income and Expenditure Statement	31 March	
	2019 £000	2018 £000
Service Cost	6,242	5,198
Net Interest Charged	1,576	1,510
Net Charge made to the CIES	7,818	6,708
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	(4,080)	403
Changes in Financial Assumptions	13,325	(3,002)
Re-Measurement of the Net Assets / (Defined Liability)	9,245	(2,599)
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	179,602	159,131
Present Value of the Unfunded	2,035	2,110
Fair Value of Scheme Assets	(111,089)	(103,562)
Net Liability in the Balance Sheet	70,548	57,679

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded and Unfunded Liabilities	
			Local Govt Pension Scheme	
	2019 £000	2018 £000	2019 £000	2018 £000
Net pensions liability at 1 April	(2,110)	(2,180)	(161,241)	(158,211)
Interest Cost	(41)	(48)	(4,380)	(4,135)
Change in Demographic Assumptions	-	-	-	-
Change in Financial Assumptions	-	-	(13,325)	3,002
Change in Other Assumptions	-	-	53	(3)
Current Service Cost	-	-	(5,700)	(5,169)
Past Service Cost Including Curtailments	-	-	(542)	(29)
Contributions by Scheme Participants	-	-	(954)	(842)
Estimated Benefits Paid	116	118	4,452	4,146
Net Pension Liability at 31 March	(2,035)	(2,110)	(181,637)	(161,241)

Reconciliation of the fair value of the Scheme Assets	31 March	
	2019 £000	2018 £000
Fair Value of the Plan Assets at 1 April	103,562	100,715
Interest on Assets	2,804	2,625
Return on Assets less Interest	4,027	(400)
Employer Contributions including Unfunded	4,194	3,808
Contributions by Scheme Participants	954	842
Benefits Paid	(4,336)	(4,028)
Contribution in respect of unfunded benefits	(116)	-
Fair Value of the Plan Assets at 31 March	111,089	103,562

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public pensions Services Act 2013. Under the Act, the local Government pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated contributions by the employer in 2019-20 are £4,078,000 (£3,773,000 2018-19).

Basis for Estimating Assets and Liabilities

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

Both the Local Government pension Scheme and discretionary benefits liabilities have been estimated by Hyman Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full (triennial) valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

Mortality Assumptions

Longevity at 65 for current pensioners in years:

* Men

* Women

Longevity at 65 for future pensioners in years:

* Men

* Women

Rate of increase in salaries

Rate of increase in pensions

Rate for discounting scheme liabilities

2019 £000	2018 £000
22.4	22.4
24.4	24.4
24.0	24.0
26.3	26.3
2.8%	2.7%
2.5%	2.4%
2.4%	2.7%

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

The Scheme's assets consist of the following categories, by proportion of the total assets held

	2018/19			2017/18		
	Quoted active market £'000	Quoted non-active market £'000	Total £'000	Quoted active market £'000	Quoted non-active market £'000	Total £'000
Cash and cash equivalents	1,376	-	1,376	3,334	-	3,334
<i>Equity inst: by industry type</i>						
Consumer	3,356	-	3,356	2,876	-	2,876
Manufacturing	1,999	-	1,999	1,860	-	1,860
Energy and Utilities	2,333	-	2,333	2,229	-	2,229
Financial Institutions	4,176	-	4,176	4,463	-	4,463
Health and Care	672	-	672	1,099	-	1,099
Information Technology	591	-	591	489	-	489
Sub-total equity	13,128	-	13,128	13,015	-	13,015
<i>Debt Securities: by sector</i>						
Corporate Bonds (inv. grade)	-	-	-	-	-	-
Corporate Bonds (non-inv. grade)	-	-	-	-	-	-
UK Government	-	2,756	2,756	-	2,611	2,611
Other	-	-	-	-	-	-
Sub-total bonds	-	2,756	2,756	-	2,611	2,611
<i>Property: by type</i>						
UK Property	-	-	-	-	-	-
Overseas Property	-	-	-	-	-	-
Sub-total property	-	-	-	-	-	-
<i>Private Equity:</i>						
All (UK & Overseas)	-	8,411	8,411	-	9,606	9,606
Sub-total private equity	-	8,411	8,411	-	9,606	9,606
<i>Inv. Funds and Unit Trusts</i>						
Equities	-	62,231	62,231	-	57,353	57,353
Bonds	-	10,323	10,323	-	10,408	10,408
Hedge Funds	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Infrastructure	-	4,624	4,624	-	-	-
Other	-	8,241	8,241	-	7,235	7,235
Sub-total other investment fu	-	85,419	85,419	-	74,996	74,996
<i>Derivatives:</i>						
Foreign exchange	-	-	-	-	-	-
Sub-total derivatives	-	-	-	-	-	-
Total	14,503	96,586	111,089	16,349	87,213	103,562

Fair value of scheme assets	31 March	
	2019 %	2018 %
Equity Instruments:		
Equity Securities	11.8%	12.6%
Private equity	7.6%	9.3%
Debt Securities	2.5%	2.5%
Investment funds and Unit Trusts	76.9%	72.4%
Cash and cash equivalents	1.2%	3.2%
Total	100.0%	100.0%

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2017 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Sensitivity Analysis as at 31 March 2019

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate			
Present Value of Total Obligation		0.00% 181,637	-0.5% 18,486
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	0.5% 2,407	0.00% 181,637	
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	0.5% 15,791	0.00% 181,637	

Sensitivity Analysis as at 31 March 2018

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate			
Present Value of Total Obligation		0.00% 161,241	-0.5% 15,652
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	0.5% 2,142	0.00% 161,241	
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	0.5% 13,322	0.00% 161,241	

33. Nature & Extent of Risks Arising from Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Council has the following financial instruments:

- financial liabilities: trade payables and long term borrowing
- financial assets: loans and receivables comprising bank deposits, trade receivables, investments, shares and long term mortgages

The Council has given interest free loans, repayable on the sale/transfer of charged properties, which have not been classified as financial instruments. These loans are included in the balance sheet as long term debtors', the outstanding amount was £329k as at 31 March 2019 (£329k in 2017-18). No such loans have been made since 2012-13.

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are only made with banks and financial institutions which are included as counterparties in the Council's Investment Strategy, which regards the successful identification, monitoring and control of risk to be the prime criteria. The Council has a policy of tiered maximum investments with the up-most limit not more than £10.0 million of its surplus balances to any one institution. With no historical experience of default, the exposure to credit risk on bank deposits and investments is not considered material. The main exposure to credit risk relates to housing rents where a provision for bad debts is made.

Where sums are owed by the Council's customers and contractual debtors the Council makes provision for doubtful debt, detailed in Note 16, based on an assessment of the risks for each type and the age of those debts, the Council does not generally extend credit beyond 21 days.

Debtors

The following analysis summarises the Council's analysis of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

2018/19			
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(2,839)	(1,963)	(855)
Adjustment	-	(27)	343
Additional provisions	(4,261)	(129)	(539)
Amounts used	3,597	253	434
Balance at 31st March	(3,503)	(1,866)	(617)

2017/18			
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(2,827)	(1,966)	(800)
Additional provisions	(303)	0	(285)
Amounts used	291	3	230
Balance at 31st March	(2,839)	(1,963)	(855)

The Council does not normally extend credit beyond 21 days. At 31 March 2019, of the total debtor balance of £3.1 million (£2.7 million at 31 March 2018), this can be analysed as follows:

31 March		
	2019 £000	2018 £000
Customer Debts:		
Over 21 days but less than 3 months	98	51
More than 3 months	392	342
Fair Value of the Plan Assets at 31 March	490	393

Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10m is placed on the amount of money that can be invested with a single counterparty excepting UK Central Government which is unlimited. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2019, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

The amounts below include the money market fund which is included in cash and cash equivalents.

Balances Invested as at 31 March 2019							
	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	YES	-	-	-	18,075	-	18,075
Building Soc.	YES	-	2,000	-	1,000	-	3,000
S. Cambs Ltd	YES	-	-	-	-	58,653	58,653
Housing Assoc.	YES	-	1,000	4,000	-	-	5,000
Local Auth.	YES	-	-	4,500	-	-	4,500
CLIC (new)	YES	-	-	-	-	1,255	1,255
Money Market	YES	7,175	-	-	-	-	7,175
Total		7,175	3,000	8,500	19,075	59,908	97,658

CLIC- Cambridge Leisure and Ice Centre.

	Balances Invested as at 31 March 2018						
	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	YES	1,500	4,500	11,000	8,500	-	25,500
Building Soc.	YES	-	3,000	5,000	-	-	8,000
S. Cambs Ltd	YES	-	-	-	-	35,506	35,506
Housing Assoc.	YES	-	1,000	4,000	-	-	5,000
Local Auth.	YES	4,000	-	-	-	-	4,000
Money Market	YES	3,425	-	-	-	-	3,425
Total		8,925	8,500	20,000	8,500	35,506	81,431

Liquidity Risk

All trade and other payables are due to be paid in less than one year. The PWLB loans have maturities of between 25 and 45 years as detailed in Note 13, interest being paid half yearly, a Repayment Reserve being used to manage the future repayment of principal.

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments as most investments are at fixed rates. Movement in interest rates can have an impact on the Council's interest receipts from investments; for example, a rise in interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall (but the carrying amount will not change)

As most investments are at fixed rates, a sensitivity analysis for interest rate changes has not been carried out.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget which is used to update the Council's medium term financial strategy periodically during the year, this allows any adverse changes to be accommodated.

Price Risk

The Council does not invest in equity holdings or in financial instruments whose capital value is subject to market fluctuations. It therefore has no exposure to losses arising through price variations.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

34. Capital Commitments

Material capital commitments as at 31 March 2019 were £9.047 million on Housing (£2.763m as at 31st March 2018). The significant increase year on year is due to new capital contracts begun in 2018/19 in Waterbeach, Great Abington and Hardwick.

35. Assets Held for Sale

	2019 £000	2018 £000
Cost or valuation		
At 1 April	2,076	1,154
Additions	62	155
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	1,027
Revaluation increases / (decreases) recognised in the CIES	-	(107)
Derecognition - Disposals	(534)	(138)
Other movements / reclassifications within assets	(88)	(15)
At 31 March	1,517	2,076

36. Intangible Assets

	2019 £000	2018 £000
At 1 April	494	184
Additions- Purchase only	296	-
Depreciation	(51)	(77)
Derecognition - Disposals	-	-
Other movements / reclassifications within assets (from VPE 2017/18)	-	387
At 31 March	739	494

37. Contingencies

There were no material contingent assets or liabilities to report for the Council as at 31 March 2019.

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year for providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	Note	2018/19 £000	2017/18 £000
Income			
Dwelling Rents	H3	(28,082)	(28,132)
Non Dwelling Rents		(425)	(412)
Charges for Services and Facilities		(1,941)	(2,058)
Contributions towards expenditure:			
* General Fund		(83)	(121)
* Other Sources		(2)	(29)
Total Income	-	(30,532)	(30,752)
Expenditure			
Repairs and Maintenance		3,950	3,781
Supervision and Management:			
* General		2,583	2,819
* Repairs and Maintenance		1,365	1,235
* Special Services		1,763	2,037
Rents, Rates and Other Charges		170	181
Depreciation and Amortisation:			
* Depreciation	H8/9	6,620	6,260
* Revaluation		-	(5,316)
Treasury Management Costs		8	-
Inc./(Dec.) Provision for Bad/Doubtful Debts		104	79
Total Expenditure	-	16,563	11,076
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		(13,969)	(19,676)
HRA services share of Corporate Expenses		1,170	733
HRA services share of Other Services (mortgage interest)		-	-
Net Cost / (Income) of HRA Services		(12,799)	(18,943)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(12,799)	(18,943)
Loss/(Gain) on Sale of HRA Non-Current Assets	H10	(2,898)	(1,391)
Interest Payable and similar charges		7,193	7,193
Interest and Investment Income		(760)	(546)
Pensions Interest / Return on Assets		201	213
Capital Grants and Contributions	H10	(751)	(522)
(Surplus) / Deficit for the Year on HRA Services		(9,814)	(13,996)

Movement on Housing Revenue Account Statement

The Housing Revenue Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However,

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned

The Housing Revenue Account Statement compares the Council's spending against the Income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

Increase / decrease in the Housing Revenue Account Balance	Note	2018/19 £000	2017/18 £000
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(9,814)	(13,996)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	H10	9,014	12,891
Transfers to/from Earmarked Reserves	H10	0	0
(Increase) / decrease in the Housing Revenue Account Balance		(800)	(1,105)
Housing Revenue Account Surplus Brought Forward		(10,097)	(8,992)
Housing Revenue Account Surplus Carried Forward		(10,897)	(10,097)

H1. Housing Stock Volumes

The Housing Revenue Account includes all the expenditure and income associated with the following stock of Housing Revenue Account dwellings:

	2018/19			2017/18
	Conv- ersion	Additions	Disposals	Total
1 Bedroom	0.00	12.30	(3.10)	1,057.00
2 Bedroom	0.00	23.00	(7.35)	2,339.69
3 Bedroom	0.00	5.00	(12.48)	1,855.08
4+ Bedroom	0.00	0.00	0.00	73.00
	0.00	40.30	(22.93)	5,324.77

		31 March	
		2019 £000	2018 £000
Stock (Whole Property Equivalent) as at 1 April		5,307.40	5,335.10
Less:	Sales (Right to Buy)	(15.00)	(20.00)
	Stock Transfers / Conversions	0.00	0.00
	Other Movements	(7.93)	(23.00)
	New Properties	40.30	15.30
Stock as at 31 March		5,324.77	5,307.40
Number:	Houses and Bungalows	5,071.27	5,072.90
	Flats and Maisonettes	253.50	234.50
	Other	0.00	0.00
Stock as at 31 March		5,324.77	5,307.40

H2. Housing Stock Values

The total balance sheet values of dwellings and other property and land within the HRA are;

	31 Mar 2019		31 Mar 2018	
	Asset Value £000	Depre- ciation £000	Asset Value £000	Depre- ciation £000
Council Dwellings (HRA only)	460,288	(6,655)	479,761	(6,260)
Depreciation adj. on revaluation	0	6,655	0	6,260
OL&B, AuC, AHfS and VPE	36,117	(307)	10,434	(70)
Depreciation adj. on revaluation	0	307	0	70
Surplus assets held	152	0	152	0
Infrastructure	0	0	131	0
	496,557	0	490,478	0

In 2018-19, depreciation on buildings is based on the asset lives as assessed by the Council's appointed valuers, Wilks, Head and Eve. Land is not depreciated. The dwellings are valued in accordance with Guidance on Stock Valuation for Resource Accounting issued by the Office of the Deputy Prime Minister. This requires the dwellings to be valued at open market value with vacant possession, which is then adjusted to reflect tenancies at less than open market rents by using an adjustment factor based on the ratio of local authority rents to open market rents for the relevant region. The adjustment factor for the eastern region is 38%.

The value of council dwellings (Housing Revenue Account) at 31 March 2019, based on vacant possession, was £464.449m.

H3. Gross Dwelling Rent Income

During 2018/19 0.95% (1.10% in 2017/18) of all lettable dwellings were vacant. Average rents were £103.67 (£102.69 in 2017/18) per week including affordable rents, an increase of £0.98 or 0.95% (£1.01 or 0.97% decrease in 2017/18) on the previous year. 51.68% (55.39% in 2017/18) of all Council tenants received some help through rent rebates in 2018/19. Rent arrears increased to £576,934 (£529,583 in 2017/18), which represents 2.05% (1.88% in 2017/18) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £414,969 (£352,054 in 2017/18). Amounts written off during the year totalled £41,120 (£26,805 in 2017/18). Dwelling rents are shown after allowing for voids.

H4. Rent Arrears on Dwellings

	31 March	
	2019 £000	2018 £000
Arrears	577	530
Provision for uncollectable amounts	(415)	(352)
Arrears as a percentage of gross rents collectable	2.05%	1.80%

H5. Pensions

This contribution, shown in the Statement of Movement on the Housing Revenue Income and Expenditure Account, reverses out the pensions liabilities apportioned to net operating expenditure and adds back in the payments to the pension scheme so that the adoption of International Accounting Standard 19 (IAS 19) Employee Benefits has no effect on the deficit/surplus for the year. In view of the uncertainty over future pension costs, an additional percentage of pensionable pay has been charged against the Housing Revenue Account and placed in a reserve for use in future years (Note 32).

H6. Housing Revenue Account Capital Receipts

The Council received £5,441,825 (£3,949,626 in 2017/18) in respect of HRA capital receipts during 2018/19. This arose as a result of the sale of council houses £4,875,075 (£3,826,440 in 2017/18), and sale of Land £566,750 (£123,286 in 2017/18). Of this the Council had £2,122,454 (£2,316,170 in 2017/18) available for house building projects and £19,571 (£39,334 in 2017/18) for the administration of the sales which left £2,863,411 (£1,101,913 in 2017/18) to fund other capital projects and pay the central government pool an amount of £523,381 (£492,209 in 2017/18).

H7. Capital Expenditure, Financing and Receipts

Capital expenditure and financing relating to the HRA during the financial year was:

	31 March	
	2019 £000	2018 £000
Opening capital financing requirement	204,429	204,429
Expenditure:		
* Acquisition and Improvement of land	92	156
* New build- dwellings	8,040	5,883
* Re-provision of existing dwellings	799	1,343
* Acquisition of existing dwellings	54	1,134
* Improvement of housing stock and other buildings	6,639	8,456
Financing:		
* Capital receipts and contributions	(2,881)	(4,180)
* Revenue #	(5,538)	(6,010)
* Grants and Reserves	(751)	(522)
* Major Repairs Allowance	(6,455)	(6,260)
* GF Internal Financing	0	0
Closing capital financing requirement	204,429	204,429

In addition, £205k was spent relating to HRA contribution to cap. expenditure on IT & software.

Capital receipts relating to the HRA during the financial year were:

	31 March	
	2019 £000	2018 £000
Sale of Land	567	123
Sale of Dwelling:		
* Right to Buy	2,739	3,535
* Other	2,136	292
	5,442	3,950

H8. Major Repairs Reserve

Previously, within the housing subsidy scheme, there was an annual allowance for major repairs which could only be used for expenditure on major repairs and/or improvements to Housing Revenue Account dwellings. The housing subsidy scheme and, therefore the Major Repairs Allowance, ceased at the end of 2011/12 with the advent of the Self Financing regime. In 2012/13 the Council was required to charge the Housing Revenue Account a notional amount for depreciation; calculated in a similar way to the major repairs allowance. The notional depreciation charge is reserved to fund similar major repairs and improvement works. The transition period continued until the end of 2016/17, with a full depreciation charge equivalent to the whole capital adjustment transfer being charged to the Housing Revenue Account from 2017/18 onwards.

	2018/19		2017/18	
	£000	£000	£000	£000
Balance as at 1 April		-		-
Transfer to Capital Adjustment Account	(6,620)		(6,260)	
Amount trans. to Statement of Movement on HRA bal.	-		-	
HRA capital exp. charged to Major Repairs Reserve	6,455		6,260	
Total Expenditure		(165)		-
Balance as at 31 March		(165)		-

H9. Impairments

Impairment is a reduction in the value of non-current assets. When this occurs through the clear consumption of economic benefit or through market value reduction, it has been identified and is written off against any revaluation gains in the Revaluation Reserve for that group of assets until the gain is reduced to zero and then any balance is charged to Housing Revenue Income and Expenditure Account.

H10. Note of Reconciling Items for the Statement of Movement on HRA Balance

	2018/19 £000	2017/18 £000
(Surplus)/Deficit for the year on the HRA Income and Exp. Account	(9,814)	(13,996)
(Loss)/Gain on sale of HRA non-current assets	2,898	1,391
HRA share of contributions to the Pensions Reserve	(462)	(459)
Reversal of Depreciation & Impairment	-	-
Depreciation	(6,620)	(6,260)
Revaluation	-	5,316
Capital Grants and Contributions	751	522
Transfer from Major Repairs Reserve	6,620	6,260
Capital expenditure funded by the HRA	5,827	6,121
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	9,014	12,891
Net increase/(decrease) before transfers to/from reserve	(800)	(1,105)
Transfers To Earmarked Reserves	-	-
Dec/(inc) in the HRA balance for the year	(800)	(1,105)
HRA balance brought forward	(10,097)	(8,992)
HRA balance carried forward	(10,897)	(10,097)

The Collection Fund

This account reflects the statutory requirement for the Council, as the billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (Business Rates).

		2018/19			2017/18		
	Note	Non Domestic Rates £000	Council Tax £000	Collection Fund Total £000	Non Domestic Rates £000	Council Tax £000	Collection Fund Total £000
Income							
Council Tax	CF1	-	(108,517)	(108,517)	-	(101,605)	(101,605)
Non Domestic Rates	CF2	(89,604)	-	(89,604)	(80,348)	-	(80,348)
Total Income		(89,604)	(108,517)	(198,121)	(80,348)	(101,605)	(181,953)
Expenditure							
<i>Apportionment of previous years surplus/(deficit)</i>							
Central Government		3,899	-	3,899	1,897	-	1,897
Cambridgeshire County Council		702	542	1,244	341	255	596
Cambridgeshire & Peterborough Fire Authority		78	30	108	38	14	52
Cambridgeshire Police and Crime Commissioner		-	85	85	-	40	40
South Cambridgeshire District Council		3,119	99	3,218	1,518	47	1,565
Precepts and Demands							
Central Government		40,334	-	40,334	34,014	-	34,014
Cambridgeshire County Council		7,260	76,752	84,012	6,160	72,444	78,604
Cambridgeshire & Peterborough Fire Authority		807	4,223	5,030	684	4,064	4,748
Cambridgeshire Police and Crime Commissioner		-	12,203	12,203	-	11,365	11,365
South Cambridgeshire District Council		32,266	8,617	40,883	27,378	8,187	35,565
Special Expenses- Parish Precepts		-	5,397	5,397	-	5,089	5,089
Charges to the Collection Fund							
Write Offs / (write backs)		-	14	14	-	20	20
BDP charge for the year		106	96	202	167	130	297
Provision for Appeals		1,659	-	1,659	33	-	33
Cost of Collection Allowance		231	-	231	230	-	230
Adjustment		-	-	-	558	(90)	468
Disregarded Amounts		1,756	-	1,756	1,865	-	1,865
Total Expenditure		92,216	108,059	200,275	74,883	101,565	176,448
Deficit / (Surplus) for the Year		2,612	(458)	2,154	(5,465)	(40)	(5,505)
Balance Brought Forward		(7,944)	(812)	(8,756)	(2,480)	(772)	(3,252)
Balance Carried Forward		(5,332)	(1,270)	(6,602)	(7,944)	(812)	(8,756)

Collection Fund balances:

Attribution of (surplus) / deficit carried forward:

	2018/19			2017/18		
	Non Domestic Rates £000	Council Tax £000	Collection Fund Total £000	Non Domestic Rates £000	Council Tax £000	Collection Fund Total £000
Proportional split						
Central Government	(2,666)	-	(2,666)	(3,972)	-	(3,972)
Cambridgeshire County Council	(480)	(909)	(1,389)	(715)	(581)	(1,296)
Cambridgeshire & Peterborough Fire Authority	(53)	(50)	(103)	(79)	(32)	(111)
Cambridgeshire Police and Crime Commissioner	-	(145)	(145)	-	(92)	(92)
Total	(3,199)	(1,104)	(4,303)	(4,766)	(705)	(5,471)
			-			-
South Cambridge District Council	(2,133)	(166)	(2,299)	(3,178)	(106)	(3,284)
Deficit / (Surplus)	(5,332)	(1,270)	(6,602)	(7,944)	(812)	(8,756)

CF1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cambridgeshire County Council, Cambridgeshire & Peterborough Police & Crime Commissioner, Cambridgeshire Fire & Rescue Service and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 61,410.4 for 2018/19, (60,855.4 for 2017/18). The basic amount of Council Tax for a Band D property £1,657.62 for 2018/19, (£1,579.27 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalent s
Band A Disabled	-	2	5/9	1.1
Band A	2,505	1,951	6/9	1,300.3
Band B	7,367	6,301	7/9	4,900.9
Band C	20,373	18,448	8/9	16,398.5
Band D	12,343	12,302	9/9	12,302.0
Band E	11,014	10,345	11/9	12,644.3
Band F	7,545	7,182	13/9	10,374.4
Band G	4,287	4,105	15/9	6,842.2
Band H	386	359	18/9	718.0
Total Band D	65,820	60,996		65,481.6
Less Band D equivalents entitled to Council Tax Support				(3,465.3)
MOD contribution				87.2
Total Band D Equivalents				62,103.6
Less Adjustment for Collection Rate		98.94%		(693.2)
Council Tax Base				61,410.4

Income of £108.5m for 2018/19 (£101.6m for 2017/18) was receivable from council tax payers.

CF2. Non Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48p (small business) and 49.3p (others) in 2018/19, (46.6p (small business) 47.9p (others) in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Cambridgeshire County Council (9%) and Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

If the Council increases its business rates base and therefore income it is allowed to retain a proportion of this increased income whilst paying up to 50% to Central Government. This payment is known as a levy payment.

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment.

The total non-domestic rateable value at the year-end was £189,455,311 (£190,101,161 in 2017/18).

Group- Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing services in accordance with generally accepted accounting practices. Authorities raise taxation to cover expenditure in accordance with regulations; this is different from the accounting cost. The taxation position is reflected in the 'Revenue Purpose' column of the Movement In Reserves Statement which shows how the Total Comprehensive Income & Expenditure is allocated to each individual Reserve.

	Note	2018/19			2017/18		
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Group							
Finance and Staffing		36,898	(33,241)	3,657	33,401	(32,044)	1,357
All other reporting segments (same as Council- Single Entity)		49,214	(48,960)	254	42,099	(46,683)	(4,585)
Net Cost of Services		86,112	(82,201)	3,911	75,500	(78,727)	(3,228)
Other Operating Expenditure				2,706			3,599
Financing and Investment Income and Expenditure				7,932			8,264
Taxation and Non-Specific Grant Income				(28,073)			(26,177)
(Surplus) / Deficit on Provision of Services				(13,524)			(17,541)
(Surplus) / Deficit on Provision of Services by group entities				162			-
Group (Surplus) / Deficit on Provision of Services				(13,362)			(17,541)
Other Comprehensive (Income) and Expenditure				32,709			(26,261)
Total Comprehensive Income and Expenditure				19,347			(43,802)

Group- Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other resources. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Ear- marked Reserves (GF)	Housing Revenue Account	Ear- marked Reserves (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un- applied	South Cambs LTD (Ermine St. Hou)	Shire Homes Lettings	Total Usable Reserves	Total Unusable Reserves	Total Reserves
<i>Movements in 2017/18</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Balance as at 1 April 2017</i>	<i>(9,647)</i>	<i>(17,772)</i>	<i>(8,992)</i>	<i>(9,500)</i>	<i>-</i>	<i>(11,222)</i>	<i>(486)</i>	<i>314</i>	<i>-</i>	<i>(57,305)</i>	<i>(220,740)</i>	<i>(278,045)</i>
<i>Surplus / (Deficit) on Provision of Services</i>	<i>(2,461)</i>	<i>-</i>	<i>(13,996)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(1,084)</i>	<i>-</i>	<i>(17,541)</i>	<i>-</i>	<i>(17,541)</i>
<i>Other Comprehensive Income and Exp.</i>	<i>(400)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(400)</i>	<i>(25,861)</i>	<i>(26,261)</i>
Total Comprehensive Income and Expenditure	(2,861)	-	(13,996)	-	-	-	-	(1,084)	-	(17,941)	(25,861)	(43,802)
<i>Adjustment Between Accounting and Funding Basis Under Regulations</i>	<i>(2,247)</i>	<i>-</i>	<i>12,891</i>	<i>-</i>	<i>-</i>	<i>1,631</i>	<i>(29)</i>	<i>-</i>	<i>-</i>	<i>12,246</i>	<i>(12,246)</i>	<i>0</i>
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(5,108)	-	(1,105)	-	-	1,631	(29)	(1,084)	-	(5,695)	(38,107)	(43,801)
<i>Transfer to Earmarked Reserves</i>	<i>4,599</i>	<i>(4,599)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Increase / (Decrease) in Year	(509)	(4,599)	(1,105)	-	-	1,631	(29)	(1,084)	-	(5,695)	(38,107)	(43,801)
Balance as at 31 March 2018	(10,156)	(22,371)	(10,097)	(9,500)	-	(9,591)	(515)	(770)	-	(63,000)	(258,847)	(321,846)

Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(10,156)	(22,371)	(10,097)	(9,500)	-	(9,591)	(515)	(770)	-	(63,002)	(258,845)	(321,847)
Surplus / (Deficit) on Provision of Services	(3,578)	-	(9,814)	-	-	-	-	30	-	(13,362)	-	(13,362)
Other Comprehensive Income and Exp.	-	-	-	-	-	-	-	-	-	-	32,709	32,709
Total Comprehensive Income and Expenditure	(3,578)	-	(9,814)	-	-	-	-	30	-	(13,362)	32,709	19,347
Adjustment Between Accounting and Funding Basis Under Regulations	(5,368)	-	9,013	-	(165)	(1,461)	(143)	-	-	1,876	(1,876)	0
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(8,947)	-	(801)	-	(165)	(1,461)	(143)	30	-	(11,485)	30,833	19,347
Transfer to Earmarked Reserves	5,911	(5,911)	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	(3,036)	(5,911)	(801)	-	(165)	(1,461)	(143)	30	-	(11,485)	30,833	19,347
Balance as at 31 March 2019	(13,192)	(28,282)	(10,897)	(9,500)	(165)	(11,052)	(658)	(739)	-	(74,486)	(228,014)	(302,500)

Group- Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserves that may only be used to fund capital or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

	Note	31 March 2019		31 March 2018	
		£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment		505,024		521,762	
Investment Properties (Group only)	G2	60,560		36,764	
Intangible Assets		739		494	
Long Term Investments		1,255		50	
Long Term Debtors		970		970	
Total Long Term Assets			568,547		560,040
Current Assets					
Short Term Temporary Investments		30,732		38,695	
Inventories		163		147	
Debtors and Prepayments		9,921		12,239	
Cash & Cash Equivalents		7,866		8,022	
Assets Held for Sale		1,517		2,076	
			50,199		61,179
Current Liabilities					
Creditors		(32,162)		(32,334)	
Short Term Borrowing		(3,000)		-	
Cash & Cash Equivalents		(1,402)		(965)	
Provisions		(3,761)		(3,270)	
			(40,326)		(36,569)
Long Term Liabilities					
Pensions Liability		(70,548)		(57,679)	
Long Term Borrowing		(205,123)		(205,123)	
Long Term Provisions (Tax) (Group only)		(249)		-	
			(275,920)		(262,802)
Total Assets Less Liabilities			302,500		321,848
Usable Reserves		74,486		63,001	
Unusable Reserves		228,014		258,847	
Total Reserves			302,500		321,848

Group- The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	2018/19 £000	2017/18 £000
Net Surplus/(Deficit) on Provision of Services	13,362	17,602
Adjustments to net surplus or deficit on the provision of services for non-cash movements	17,646	10,376
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,818)	(9,381)
	26,190	18,597
Net cash flows from Operating Activities	26,190	18,597
Investing Activities	(24,683)	(22,362)
Financing Activities	(2,100)	4,265
Net Increase or (Decrease) in cash and cash equivalents	(592)	500
Cash and Cash Equivalents at the beginning of the reporting period	7,057	6,557
Cash and Cash equivalents at the end of the reporting period	6,465	7,057

Group- Notes

G1. Context of Group Accounts and Consolidation with the Council

The Council has 2 wholly owned subsidiaries South Cambs Limited (Ermine Street Housing) and Shire House Lettings Limited. As a result a set of Group Accounts for the Group as a whole are produced. The Accounts have been consolidated on a line by line basis, as per IFRS10.

The impact of the Companies activities upon the Reserves of the Group are as follows;

	31 Mar 18 £000	Movement £000	31 Mar 2019 £000
Turnover		(4,098)	
Service Expenses		2,529	
Interest Payable		1,751	
Int. and Inv. Income Receivable		(3)	
Gain/Loss on FV of Inv. Properties		(311)	
Tax Liability		162	
Useable Reserves	(770)	30	(739)
Un-Useable Reserves	-	-	-
Total company reserves position of Group Balance Sheet	(770)	30	(739)
Represented by:			
South Cambs LTD	(770)	30	(739)
Shire Homes Lettings LTD	-	-	-
Total company reserves position of Group Balance Sheet	(770)	30	(739)

The Assets & Liabilities of the Company's at the Balance Sheet Date are as follows:

	Ermine Street £000	Shire Homes £000	Inter Company £000	31 Mar 2019 £000
Property,Plant, Equipment	293	-	-	293
Investment Properties	60,560	-	-	60,560
Company Share Capital - Council Investment	739	-	-	739
Short Term Debtors & Cash	686	91	(30)	747
Short Term Creditors	(51,836)	(91)	51,141	(786)
Long Term Borrowing	(8,716)	-	8,716	-
Long Term Provisions (Tax)	(249)	-	-	(249)
Total assets net of Council share	1,478	-	59,827	61,306

G2. Investment Properties

The group balance sheet includes properties which have been purchased by South Cambs Ltd for the purpose of earning rentals or for capital appreciation or both, properties for refurbishment, improvement and resale are classified as stock in hand and are included within Inventories.

The Council carries out a programme that ensures that all Investment Property are valued annually, at the end of each reporting period. Property, Plant and Equipment is required to be measured at fair value and is re-valued at least every five years.

Valuations on the bases set out in the statement of accounting policies have been carried out for: Investment Property assets relating to South Cambs Limited as at 31 March 2019 by Wilks, Head and Eve , Professional Valuers

The following items of income and expense have been accounted for in respect of Investment Properties and have been recognised in the company Income and Expenditure Account and Group comprehensive income and expenditure account.

	2018/19	2017/18
Rental Income	(3,775)	(2,638)
Direct Expenses	2,789	1,770
Total	(985)	(868)

The Council is not aware of any events or circumstances which indicate that the amounts stated in the balance sheet for non-current assets may not be realisable, as at the balance sheet date.

The following summarises the movement in the fair value of investment properties over the year.

	2018/19 £000	2017/18 £000
As at 1st April	36,763	24,412
Reallocation of Investment Properties to Inventories	-	119
Acquisitions	23,485	11,146
Disposals	-	(265)
Reval inc/(dec) recognised in CIES	311	1,351
As at 31st March	60,559	36,763
Fair Value		
At 1st April	36,763	24,412
At 31st March	60,559	36,763

Fair Value Measurement of Investment Properties

Investment properties are held at fair value. Investment properties are classified as Level 2 within the value hierarchy as defined within IFRS13. Level 2 inputs used in valuing the properties are those which are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

The portfolio is valued in line with the accounting policy.

The valuation is undertaken by the Professional Valuer, Wilks, Head and Eve, on a fair value basis in line with IFRS13 and in accordance with the methodologies and bases for estimation set out in the Royal Institution of Chartered Surveyors (RICS) Valuation-Professional Standards.

South Cambs Limited provides data to the valuer including current lease and tenant data. These valuations and the assumptions they have made have been discussed with officers representing the company. The valuation technique applied in respect of Investment Property is the market approach. The market approach is described at paragraphs B5 to B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable assets.

There has been no change in the valuation technique used during the year for investment properties.

G3. Loans and Investments

The Council has undertaken fixed term investments of £58.653m (£35.506m 2017/18) with South Cambs Ltd a corresponding liability transaction has been shown on the balance sheet of South Cambs Ltd these transactions have been eliminated in the group accounts.

G4. Leases

There were no finance lease agreements during 2018/19.

The Council has no operating leases. Payments of £84,719 in respect of vehicle contract hire were made in 2018/19 (£599,462 in 2017/18). South Cambs Ltd has operating leases with payments of £605,090 in 2018/19 (£594,224 in 2017/18) in respect of property leases. Shire Homes Lettings Limited had payments of £172,516 in 2018/19 (£20,929 in 2017/18) in respect of property leases.

The future minimum contract hire payments due under non-cancellable agreements in future years are:

	SCDC Ltd £000	Shire Homes £000	31 Mar 2019 £000	31 Mar 2018 £000
Not later than 1 year	494	203	696	652
Later than 1 year, not later then 5 years	399	123	521	884
Later than 5 years	-	-	-	-
Total	892	326	1,218	1,536

G5. Related Party Transactions

The Council has two subsidiary companies wholly owned by the Council, South Cambs Limited (trading as Ermine Street Housing) and Shire Homes Lettings Limited. Transactions between these companies and the Council are accounted within the Councils group accounts. Council employee Mike Hill (unpaid) and Councillors Ian Sollom and John Batchelor are Directors of Ermine Street Housing. Council employee Heather Wood (unpaid) is Director of Shire Homes Lettings Limited.

Annual Governance Statement

Covering Introduction

This is a covering introduction for the Annual Governance Statement 2018/19 (AGS), recognising the delay in concluding the accompanying Statement of Accountants.

The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance “Delivering Good Governance in Local Government Framework 2016” is used as a guide in compiling the AGS. Arrangements for compiling the AGS were coordinated through Internal Audit team, with input from the key stakeholders and management.

The draft AGS will be circulated to Members of the Audit & Corporate Governance Committee, in early 2020, for them to review. The draft AGS will be issued to the External Auditors to review as part of the draft Statement of Accounts.

The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. As the final version of the 2017/18 AGS has only just been approved in December 2019, and reflects governance issues up to the data of approval, there are two important points to note:

- 1) This is a draft document, and it is reasonable to expect that further amendments may be required following consultation and review by the externally appointed auditors;
- 2) It is good practice to include an action plan which demonstrates how the Council is improving its governance arrangements; and this has not significantly changed since last month;

Despite the short period between both the AGS 17/18 and AGS 18/19 being produced, this still provides an opportunity for the Council to document what has happened in the 18/19 financial year, through the Review of Effectiveness.

An updated version of the Annual Governance Statement will be presented to the Committee with the Statement of Accounts.

The final version of the AGS, will accompany the Statement of Accounts for approval by the Committee, as required by the Accounts and Audit Regulations 2015.

1. Introduction and Purpose

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that is also provides value for money. It has to effectively manage its risks, and put in place proper arrangements for the governance of its affairs.

Definition of Corporate Governance

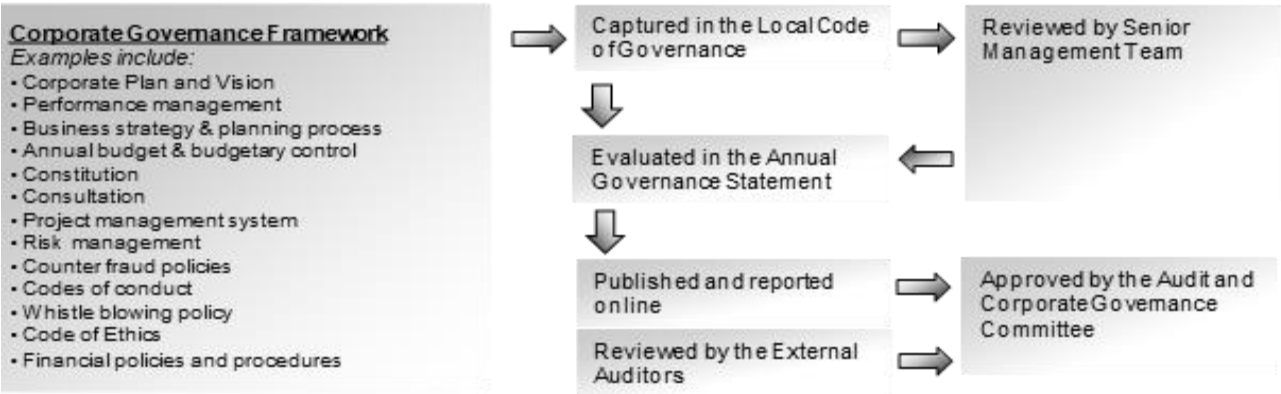
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

Good governance in the public sector means: "achieving the intended outcomes while acting in the public interest at all times"

The Governance Framework

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Council has a robust process for reviewing and updating the governance framework.



The governance framework for the 2018/19 financial year supports the Council aims and objectives, which are published on our website. The Vision states:

- * Helping businesses to grow;
- * Building homes that are truly affordable to live in;
- * Being green to our core;
- * Putting our customers at the centre of everything we do.

The is supported by our Business Plan which sets out four Priority Areas with specific and measurable actions.

Performance against the Business Plan, is published in the Performance Page of our website.

The governance framework has been in place at the Council for the year ended 31 March 2019, and up to the date of approval of the statement of accounts.

Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in our Local Code of Governance, which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability

Role and responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures and some of the key roles include:

Governance structures	Roles and Responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website.
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our website.
Executive Management Team	<p>The management team structure includes a strategic Executive Management Team of a Chief Executive and Directors, and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning.</p> <p>The Chief Executive, and the Executive Director – Corporate Services, retired during the year. The Council's Director of Health and Environmental Services was appointed to the role of Chief Executive on an interim basis until a new Chief Executive was appointed.</p>
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by the Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our website.
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website.

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

Statutory compliance

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Audit & Corporate Governance Committee and approved in advance of the Statement of Accounts.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

2. Other Review and Assurance Mechanisms

Management have helped to review the Local Code of Governance, and also inform the Annual Governance Statement. In addition assurance can be provided from other sources, as detailed below:

Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The Annual Report was presented to the Audit & Corporate Governance Committee in July 2019. This report outlined the key findings of the audit work undertaken during 2018/19, including any areas of significant weakness in the internal control environment.

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

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2018/19, and this remains at a similar level to the previous year.

External Audit

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260), annual audit letter and annual report on the certification of claims and returns was presented to Audit & Corporate Governance committee.

For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.

3. Progress from the Last Annual Governance Statement

The Council prepared an Annual Governance Statement for 2017/18 which was approved by the Audit and Corporate Governance Committee in December 2019. This document has been drafted in January 2020 and the previous action plan has been updated below, in the Opportunities for Improvement section.

4. Review of Effectiveness

The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. The review is informed by the work of senior officers who have responsibility for the development and maintenance of the governance framework, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates. In addition both the Corporate Management Team and the Audit and Corporate Governance Committee have participated in workshops to help develop the Annual Governance Statement. This helps us to identify what works well, and also opportunities for improvement.

The Council has a number of policies and procedures which are recorded in its Local Code of Governance. These are mapped to the 7 principles of good governance.

Ongoing good practice is recorded in the Local Code of Governance. Additional examples of good practice from the 2018/19 financial year, and governance issues, considered when completing the review are recorded below as part of the review of effectiveness. The 2018/19 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2017/18 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts. As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

The Performance Page on the Council's website sets out details of how the examples below have contributed to the delivery of quality services and the Council's Corporate Plan objectives.

Principle	Review of effectiveness for the 1819 Financial Year	Further Prgress made to date
A. Behave: integrity, ethical values, respect rule of law	<p>The Civic Affairs Committee established a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. This has been recognised within the AGS as an opportunity for improvement.</p> <p>The Council committed to sign up to the Disability Confident scheme which meets the ambition to be an Employer of Choice for people with disabilities.</p> <p>Management have provided feedback that the framework of HR Policies supported them to ensure there are high levels of conduct and ethical behaviour, and there are low levels of non-compliance with Policies.</p>	<p>Due to the volume of work, the Task and Finish Group has now planned for its recommendations to go to the Civic Affairs Committee and then to Council in the autumn 2020.</p>

B. Openness & stakeholder engagement	<p>A Business Plan was developed for the 2019-24 period to set priorities for our communities and businesses. This included consultation and was published on our website.</p> <p>Cabinet discussed the decision-making process and the need to evaluate support for the Scrutiny Function.</p> <p>The Council consulted with its customers, including the Localised Council Tax Support Scheme, Greater Cambridge Housing Strategy, Licensing Policy statement, Gambling Act Policy Statement, and the Statement of Community Involvement which sets out the approach to community engagement in planning matters.</p> <p>Council agreed to introduce a twelve-month pilot scheme to allow the public to make written representations at full Council meetings without prior written notice.</p> <p>The Leader organised a series of talks at business breakfasts to enable discussions with local businesses on how the Council could facilitate and support business growth in South Cambridgeshire.</p>
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C. Defining outcomes - economic, social, environmental	<p>The Business Plan for 2019-24 set priorities for our communities and businesses and was approved at Council on 21 February 2019. Economic development is an overarching aspect of the plan, as well as housing, making the green agenda part of everything we do, income generation, and using our technology smartly.</p> <p>The Council has agreed to support a transition to “Zero Carbon by 2050 in the next local plan and are prioritising the elimination of single use plastics within the organisation.</p> <p>The Council established a new Climate and Environment Advisory Committee to advise the Portfolio Holder responsible for climate change and environmental sustainability.</p> <p>The Council reviewed its own internal policies, changing internal bins to encourage further recycling and make financial savings.</p> <p>The Council approved the new South Cambridgeshire Local Plan, as part of the development plan, following the Inspectors report. Cabinet adopted a new Local Development Scheme for Greater Cambridge, prepared jointly with Cambridge City Council, confirming the intention to prepare a joint Local Plan for Greater Cambridge, comprising the administrative areas of both Councils and a joint Cambridge Northern Fringe Area Action Plan.</p>	<p>The Council has subsequently declared a Climate Emergency with regular meetings of the Climate and Advisory Committee.</p>
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D. Determine interventions to achieve outcomes

Cabinet considered a report highlighting that South Cambridgeshire District Council faces an exciting but challenging future, operating in an environment with reducing resources and rising customer expectations. Officers had already begun to consider how best to meet these challenges and the report set out the next steps needed to make sure that the Authority was effectively resourced to face the future. Consequently the Council commissioned an independent review of the Council to determine how the Council could best focus on delivering its priorities. This reflects the governance of shared services, having the right skills to be more commercial in our approach, and also investing to deliver a return.

Cabinet considered a report examining the justification and scope for a further three-year programme (2019-20 to 2021-22) of Service Support Grant funding of the voluntary and community sector and approved a further 3-year scheme.

Council agreed to bring forward lending of £13 million to Ermine Street Housing into 2018/19 by re-phasing the Capital Programme and bringing forward budget from future years to enable the Company to continue the business expansion as agreed by Cabinet and Council in November 2015.

E. Develop capacity and capability of entity	<p>There have been various changes to the establishment of the Council, including the retirement of the Chief Executive, the Executive Director (as the responsible S151 officer) and resignation of the Executive Director with responsibility for Housing. This has been recognised in the "Role and responsibilities" section of the AGS.</p> <p>Council received a report following the District Council Election, and a new Leader of the Council was appointed for the period 2018-22. Cabinet Members, and their respective roles, were then announced.</p> <p>Cabinet considered actions for Task and Finish Groups to develop the entity, which included: regular evaluation of the effectiveness of Member training; streamline representation on outside bodies; review the approach and direction of travel for Member Development; undertake a comprehensive review of the Constitution; and review the Code of Conduct Complaints Procedure.</p> <p>Cabinet considered a report outlining a revised Organisational Change policy and procedure. The Council signed up to the Government's Disability Confident scheme.</p> <p>The Council approved nominations to South Cambs Trading Ltd and Shire Homes Letting Ltd.</p>	<p>The Council has now successfully appointed a new Chief Executive and is currently undertaking a Senior Management Review.</p>
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F. Manage risk & performance, internal control, finance	<p>Cabinet considered the provisional 2017-18 outturn position statement on General Fund, Housing Revenue Account (HRA) and Capital expenditure, including requests for budget rollovers from 2017-18 to 2018-19; statements on the 2017-18 year-end position plus the Council's corporate objectives and performance indicators, and the Strategic Risk Register.</p> <p>An internal audit review of the Risk Management framework was completed. This provided reasonable assurance, concluding that the Council is risk enabled and that risk management and internal controls are embedded. Members attended Risk Management workshops and the Council developed the Strategic Risk Register so that it was aligned to the priorities of the new Business Plan.</p> <p>The Council established a time limited cross-party Advisory Group to review and report on the potential impacts of Brexit on South Cambridgeshire and to recommend actions to mitigate those impacts where relevant and appropriate. Cambridge City Council were invited to appoint three representatives to serve as co-opted members. Four priorities were agreed to proactively manage the risks.</p> <p>Cabinet approved business plans for each of the shared services and noted the annual reports for the services delivered in partnership.</p>
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The Council proactively wrote of bad debt, as required, also noting the good performance that in the last financial year the Council had ranked 3rd out of 326 local authorities for Council Tax collection and 25th for collection of business rates.

The Council proactively prepared for the implementation of the General Data Protection Regulations and the new Data Protection Act.

The Scrutiny and Overview Committee received performance reports on Customer Contact Service, Development Management, Shared Service, plus quarterly Position Statements on Finance Performance and Risk. The quarterly updates were reviewed and now include an "In flight project tracker" to help communicate project management progress.

G. Transparency, reporting, audit, accountability	<p>The Council received an unqualified opinion on the statement of accounts for 2016/17. The accounts were approved in January 2018, which was later than planned, as final adjustments were completed and the valuation of the housing stock was reviewed.</p> <p>External audits were completed on the 2017/18 group accounts, which provided assurance, and this was supplemented by a risk-based program of internal audit work.</p> <p>The website has been refreshed to make information more accessible to customers and there has been an increase in the use of e-forms. The Council has launched Onevu, which is an 24/7 online customer portal designed to improve business processes and the customer experience.</p> <p>Governance change included the Council moved to a system of pre-scrutiny, from post-scrutiny, noting that this would give Members more influence over shaping decisions, policy and strategy. Cabinet members are focussing on priority delivery, rather than service areas, and would take a whole cabinet approach to decision making. Cabinet meetings would be public and participation by Members and the public would be welcomed.</p> <p>Cabinet agreed to publish the South Cambridgeshire Authority Monitoring Report 2017-2018 as part of a Local Plan and Housing Monitoring update.</p>	<p>For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.</p> <p>There has been a delay to concluding the 2018/19 accounts, and both the Council and the External Auditors are working to conclude these as promptly as possible. This has been recognised and included in our AGS improvement plan.</p>
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5. Opportunities for Improvement

The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is ongoing, and as the previous AGS has only just been concluded. They address both significant governance issues that have arisen during 2018/19, and forward-looking matters identified for 2018/19. These actions are captured in existing corporate plans and strategies.

Subject	Opportunity	Responsible Officer
Review of Constitution	The Council's Constitution has not been subject to a comprehensive review for some considerable time. The Civic Affairs Committee has agreed to establish a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. The Task and Finish Group has drawn up a work programme which envisages recommendations being submitted to this Committee in the summer, with the aim of seeking Council approval for the revised Constitution in the autumn.	Deputy Monitoring Officer
Digital Strategy	Recognising that it can be difficult to engage with customers and stakeholders, the Council is developing a digital strategy to help customers self-serve, whilst preserving appropriate channels for those that require them. Examples include "In Touch Project" to improve digital inclusion with Housing tenants and reviewing our "Community Engagement Strategy".	Executive Director – Corporate Services and Head of People and Organisational Development

Statement of Accounts	<p>The Council completes Statement of Accounts, to report the financial position of the Council, and for both 16/17 and 17/18 these were not approved by the deadline. An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015 which the Council has not been able to complete. In addition, it is recognised that the external auditors have resource challenges and have had to prioritise resource elsewhere. Consequently, this has also impacted upon conclusion of the 18/19 accounts. Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible. It was not possible to meet the deadline, and updates have been regularly communicated to the Audit & Corporate Governance Committee. The external auditors issued an unqualified audit opinion on the financial statements for 17/18. However, in light of the financial reporting challenges the Authority has experienced, they issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.</p> <p>The Council has been undertaking a 'lessons learnt' and risk appraisal to improve the completion process of the 18/19 accounts. The Council has recruited a Principal Accountant, plus a Deputy Head of Finance, and these substantive resources will help manage the process.</p>	Executive Director – Corporate Services and S151 Officer
Review of anti-fraud and corruption policies	<p>The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies are being reviewed to see if any improvements can be adopted, and will be reported to the Audit & Corporate Governance Committee.</p>	Head of Internal Audit

Financial Management Systems	The Council is implementing a new Financial Management System, to develop resilience and introduce smarter ways of working. The core system was successfully implemented and is now being used throughout the Council. In addition the Council is implementing a new Asset Management system, which will improve the data management and record keeping.	Executive Director – Corporate Services & Head of Finance
Control Account Reconciliations	The Council reconciles control accounts to ensure that systems balance. These were not always completed promptly, throughout the year. The Finance team ensured these were completed for the system launch of the new Financial Management System, as data was migrated. Management now have processes in place for monitoring reconciliations. Internal processes will also be reviewed to consider opportunities to simplify the reconciliation process and assist prompt completion.	Executive Director – Corporate Services & Head of Finance
Organisational Development Strategy	The Council will complete a review of the Organisational Development Strategy, over the current financial year, which will help to improve recruitment and retention of employees.	Head of People and Organisational Development
Complaints management	The Council has a process for responding to complaints. A project is being implemented to help improve our quality and timeliness of complaints handling, and a new system has been implemented. A post implementation review will be completed to quality assure its effectiveness.	Head of People and Organisational Development

Environment	<p>Local Air Quality Management is a statutory obligation for all Local Authorities. It involves a rolling programme of air quality assessment, impacting on decisions made by all internal and external bodies responsible for transport planning, highways, growth agendas, development plans and environmental protection. The Council is developing a new Air Quality Strategy, which will help to enhance the environment and inform environmental planning.</p>	Head of Service, Environmental Commissioning
Procurement best practice	<p>In March 2019 Cabinet considered a report outlining the findings of the “Barriers to Council Procurement from Small and Medium-sized Enterprises (SMEs) Task and Finish Group” and approved to:</p> <ul style="list-style-type: none"> * review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds; * develop, promote and run a minimum of two procurement workshops for local SMEs during 2019; * investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations; and * review the late payment of invoices with the South Cambridgeshire District Council’s accountancy team. <p>Progress will be reported back to Cabinet in March 2020.</p>	Executive Director – Corporate Services

6. Conclusion

The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.

SIGNED:

SIGNED

LIZ WATTS
CHIEF EXECUTIVE

Date:.....

COUNCILLOR BRIDGET SMITH
LEADER OF THE COUNCIL

Date:.....

For the purposes of this Statement of Accounts, the following definitions have been adopted:

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31 March.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Annual Governance Statement

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

Asset

An item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a leisure centre, or intangible, e.g. computer software licences.
- A current asset will be consumed or cease to have material value within the financial year e.g. cash and stock.

Audit of Accounts

An independent examination of the Council's financial affairs

Balances (or Reserves)

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years, that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. The unusable reserves, which have been established for technical purposes are not available to spend and cannot be used to fund service provision.

Balance Sheet

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

Capital Expenditure

Expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

Capital Adjustment Account

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year and are paid for by council tax payers.

Capital Financing

Funds used to pay for capital expenditure. There are various sources funding to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Financing Requirement

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

Capital Receipt

The proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

Cash Equivalents

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash Flow Statement

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

CIPFA

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the general fund.

Community Assets

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Consistency

The accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Gains

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

Contingent Liabilities

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

Corporate and Democratic Core

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single-purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

Council Tax

A local tax on dwellings within the district, set by billing authority (South Cambs. District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

Creditors

Amounts owed by the Council for goods and services that it has received before 31 March, but that have not been paid for at that date.

Debtors

Amounts owed to the Council for goods and services that it has provided before 31 March, but where the associated income was not received at that date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contributions scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

Finance Leases

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

General Fund

This account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to which are then paid for from Council Tax and government grants.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Housing Revenue Account

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

Impairment

A reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

Intangible Assets

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

International Public Sector Accounting Standards (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

Investment Properties

An interest in land and/or buildings:

- in respect of which construction work and development have been completed; and
- which are held for their investment potential, any rental income being negotiated at arms length.

Liability

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Long Term Debtors

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

Minimum Revenue Provision (MRP)

This is the minimum amount that the Council must charge to the comprehensive income and expenditure statement each year to provide for the repayment of General Fund debt.

Movement in Reserves Statement (MiRS)

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

National Non-Domestic Rates (NNDR) also known as Business Rates

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council tax payers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets

Non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

Operating Leases

Leases other than a finance lease.

Operational Assets

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles, plant and equipment, infrastructure and community assets.

Post Balance Sheet Events (PBSE)

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

Precept

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the County Council, Fire and Rescue services, the Police and Parish and town Councils.

Prior Years/Periods Adjustments

The material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant and Equipment

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are required to be recognised when:

- the local authority has a present obligation (legal or constructive) as a result of a past;
 - it is probable that a transfer of economic benefits will be required to settle the obligation;
- and
- a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities;
- and
- as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Prudence

The concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

Prudential Code

Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

Public Works Loan Board (PWLb)

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests: or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

Remuneration

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Revaluation Reserve

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

Revenue Expenditure

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

Stocks

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

- Goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- finished goods.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

Unapportionable Central Overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Pensions Glossary

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or
- the actuarial assumptions have changed

Current Service Costs

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Discretionary Benefits

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

Expected Rate of Return on Pension Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

IAS19

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Non-Distributed Costs

Non-distributed costs are defined as comprising:

- retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- the costs associated with unused shares of IT facilities; and
- the costs of shares of other long-term unused but unrealisable assets.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pension Scheme Liability

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Projected Unit Method- Pension Fund Valuation

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme

Vested Rights

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits, and
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.

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South Cambridgeshire District Council

Outline Audit Plan

Year ended 31 March 2019

September 2020

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Agenda Item 6



South Cambridgeshire District Council

16 September 2020

Dear Audit and Corporate Governance Committee Members

Outline Audit Plan - 2018/19

We are pleased to attach our Outline Audit Plan which sets out our initial views on how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Outline Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. We will provide an update to this plan on completion of our planning procedures, if we identify new risks or change our audit strategy.

We have adapted our audit approach and working practices to take account of the implications and risks from COVID-19 as we see them for the preparers of financial statements and auditors for Local Government bodies. We have had initial discussions with the Council's finance team on their response and ongoing strategic, operational and financial risk assessment. We will continue to keep this area under review during the course of our audit and update our audit risk assessment and approach as appropriate. At this stage, we expect to be undertaking additional audit procedures on management's assertions and disclosures associated with preparing the accounts as a going concern in accordance with the Financial Reporting Council's Statement of Recommended Practice Note 10 for audit of public sector bodies in the United Kingdom.

Within the plan we have also reflected on the 2017/18 audit, the lessons learned in terms of audit execution and the impact of the issues we have reported to the Committee on our risk assessment for 2018/19. Where possible we have indicated the additional areas of audit procedures and the associated indicative audit fee (using a range).

This report is intended solely for the information and use of the Audit and Corporate Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 29 September 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel - Associate Partner, for and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Corporate Governance Committee and management of South Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Corporate Governance Committee and management of South Cambridgeshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Corporate Governance Committee and management of South Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Presentation and disclosure of accounting items	Significant risk	New risk	The Council's draft 2017/18 statements contained numerous errors and a number of instances where supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team. Since June 2019, the finance team has been strengthened and the Council published its 2018/19 draft statements on 11 September 2020 and has provided assurances that the accounts have been through quality assurance and all supporting working papers will be provided before the audit commences. As a result of the prior year issues we will reduce our performance materiality to 50%.
Data migration relating to new Fixed Asset Register (FAR)	Significant Risk	New risk	During 2018/19 the Council moved to a new asset management system and fixed asset register (FAR). Given output from the system is material and involves a significant level of data we have concluded that this represents a significant audit risk for the 2018/19 audit.
New financial management system	Significant risk	New risk	The Council implemented a new finance system for the 2018/19 financial year. Given the importance of the ledger on the preparation of the accounts, we recognise this as a significant audit risk.

Overview of our 2018/19 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuations of other land and buildings and housing	Inherent risk	No change in risk or focus	Other Land and Buildings (OLB) and housing represent significant balances in the Council's accounts (£27m and £460m respectively at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet. As these balances are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.
Pension Liability valuation & other pension disclosures	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance (£70m at 31 March 2019) disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Group accounts	Area of audit focus	No change in focus	The Council has been preparing group accounts for several years. We will need to carry out procedures on group consolidation processes, engage with the auditor of the two wholly owned subsidiaries to understand and assess any group risks, determine an appropriate audit strategy and audit the group accounts.
Going concern	Area of audit focus	New area of focus	Covid-19 has increased pressure on the Council's finances due to a reduction in non-government sources of revenue and increased expenditure. Whilst government initiatives are providing some financial support there is a risk to the Council's financial resilience and a need for appropriate disclosure of material uncertainties in finances over the next 18 months.
Implementation of new accounting standards IFRS9 & 15	Area of audit focus	New area of focus	From 1 April 2018 local authorities are required to adopt two new accounting standards - IFRS9 (Financial instruments) and IFRS15 (Revenue from contracts). The Council needs to demonstrate how they have adopted the new standards, determine any resulting accounting and make appropriate disclosures in the 2018/19 accounts.

Overview of our 2018/19 audit strategy

Impact of Covid-19 on the accounts and audit

Remote working

Our audit documentation tool, Canvas, and the EY Client Portal enable us to undertake the majority of our audit procedures by working remotely. To date, the Council's finance team have also been able to deal with audit queries and continue with their closedown preparations remotely.

Audit evidence

Whilst remote working is operating relatively effectively, there are likely to be some aspects of audit evidence where we will need to work collaboratively with the finance team to ensure its appropriateness and sufficiency. Dealing pragmatically with these challenges may increase the duration of the audit.

Auditor's report

Because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) has introduced a rigorous consultation process for all auditor reports. Whilst we may not be seeking to issue the Council's auditor report until later in the year, there is likely to remain in place a consultation process that may impact on the timing and the content of the audit report.

Materiality

Planning
materiality

£1.974m

We have set materiality at £1.974 million, which represents 2% of the gross expenditure for 2018/19 (using the draft accounts). This is at the top end of our materiality range.

Performance
materiality

£0.987m

We have set performance materiality at £836,000, which represents 50% of materiality. Under our approach we can either use 50% or 75% but because of the extent of errors in the prior year statements we are required to use 50%. This change from the prior year means that we will be testing more items.

Audit
differences

£98,700

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, and collection fund) greater than £83,600. We will communicate other misstatements identified to the extent that they merit the attention of the Audit and Corporate Governance Committee.

Overview of our 2018/19 audit strategy

Materiality (continued)

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

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

When carrying out audit procedures, in addition to using the materiality levels outlined above, we also take into account our view of the Council's controls and the inherent risk of a specific item of account. The stronger the controls and the lower the inherent risk, the less we are likely to test. The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Audit scope

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

- Our audit opinion on whether the financial statements of South Cambridgeshire District Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

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

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

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

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

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



02

Audit risks



Our response to significant risks

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

Misstatements due to fraud or error*

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What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

These are set out on the following page.

What will we do?

- ▶ Identifying fraud risks during the planning stages;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- ▶ Assessing key accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

Audit risks

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point is posted to the general ledger.

▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- ▶ Test property, plant and equipment additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; and
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Our response to significant risks

Presentation and disclosure of accounting items

Financial statement impact

We have assessed a significant risk to the material presentation and disclosure of the 2018/19 statements in light of the issues around the 2017/18 accounts preparation and audit process.

What is the risk?

The Council's draft 2017/18 statements contained numerous errors and a number of instances where supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team. Since January 2019, the finance team has been strengthened and the Council has put in place a plan to prepare its 2018/19 statements by the end of August. However, there remains a significant risk that the accounts may contain errors in presentation and disclosure.

In auditing the 2017/18 statements, we faced particular issues with obtaining listings to support the Council's year end debtors, creditors and aspects of collection fund income and expenditure.

What will we do?

We have been in discussions with Head of Finance and the finance team regularly since completion of the 2017/18 audit and during the Council's preparation of the 2018/19 draft statements. As a result of our experience in 2017/18, in order to identify any significant issues at an early stage, we will:

- Undertake an early detailed review of the account to assess the overall quality of accounts presented for audit (this was done and feedback provided in mid-September);
- Provide officers with a list of audit working paper requirements before we commence the detailed work on the final accounts (done); and
- Review the adequacy of the working papers provided before we commence detailed audit work.

In addition, we will assign a higher risk factor to our work on debtors, creditors and collection fund (income and expenditure).

We have lowered our performance materiality to 50%.

Our response to significant risks

Data Migration relating to the new Fixed Asset Register (FAR)

Financial statement impact

The net book value of plant, property & equipment in the 2018-19 audited accounts is £505 million.

What is the risk?

During 2018/19 the Council moved to a new asset management system and a new fixed asset register (FAR) from the current excel spreadsheet to the CIPFA accounting module. Given output from the system is material and the Council's previous FAR comprised a significant level of data we have concluded this should be treated as a significant risk in our 2018/19 audit.

What will we do?

We will:

- review the Council's reconciliation of the prior year 2017/18 closing balance to the 2018/19 opening balance in the old FAR on Excel;
- review the Council's reconciliation between the old FAR to the new CIPFA accounting system to confirm that data transfer is complete and accurate;
- consider the Council's investigation into any variances between the two systems; and
- assess the accuracy of data held on the new FAR through substantive testing of a sample of property, plant and equipment.

Audit risks

Our response to significant risks

New financial management system

Financial statement impact

The FMS underpins the preparation of financial statements free from material misstatement and reconcilable to the Council's financial transactions, assets and liabilities for the year.

What is the risk?

The Council migrated to a new financial management system on 1 October 2018, migrating the general ledger transactions and balances (along with sub ledger details) from Oracle to the new Tech 1 FMS.

The migration to a new finance system is a significant event that involves extensive planning and arrangements to ensure that the governance of the process maintained, the new system delivers as expected and there is no loss of financial data. As such, we consider this to represent a significant risk to the audit.

What will we do?

The Council's move to Tech 1 was undertaken alongside Huntingdonshire and Cambridge City councils. As a consequence during 2019 we engaged support from EY Information Technology Risk & Assurance (ITRA) to perform a data migration review and obtain reasonable assurance on data integrity in the T1 FMS system following the implementation on 1 April 2018. ITRA also reviewed key financial data such as general ledger, open accounts receivable (AR), vendor and customer master data.

In addition to the above we will review the Council's own assurance arrangements over completeness and accuracy of opening balances in the T1 FMS system as this provides the starting point for the 2018/19 statements.

Audit risks

Other inherent risks

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Valuation of Other Land and Buildings (OLB) and housing

OLB at £27m and housing at £460m represent significant balances in the Council's accounts. They are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

As the balances are significant, and the outputs from its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.

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

What will we do?

We will:

- ▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.
- ▶ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ For housing test a sample of beacon valuations to comparable sales to ensure that the approach is reasonable;
- ▶ Consider specifically the use of indices to derive the 31 March valuation;
- ▶ Consider appropriateness of changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other inherent risks (continued)

What is the risk/area of focus?

Pension Liability Valuation & other pension disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £70 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to South Cambridgeshire District Council;
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus

What is the area of focus?

Group accounts

The Council has been preparing group accounts for several years. We have yet to engage with the auditors of the subsidiary companies to understand and evaluate any risks they have recognised on the 2018/19 audits and what impact that has on our consideration of the group accounts.

What will we do?

- Liaise with the component auditors to understand any risks that they are recognising;
- Evaluate any risks at component level on the group accounts;
- Issue instructions to the component auditors we intend to place reliance on (if relevant); and
- Audit the consolidation process and group accounts.

What is the area of focus?

Going concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. For the Council its other sources of income such as investment income and car parking are being adversely impacted. Since April, government initiatives have come into place providing some financial support, however, pressure remains on the Council's finances.

IPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, similar to the latter part of the 2017/18 audit, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.

Other areas of audit focus (continued)

What is the area of focus?	What will we do?
<p>Implementation of new accounting standards</p> <p><u>IFRS 9 Financial instruments</u></p> <p>This new accounting standard will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial instruments. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9. A statutory override is available for certain classes of financial assets.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. ▶ Consider the classification and valuation of financial instrument assets. ▶ Review the implementation of the new expected credit loss model impairment calculations for assets. ▶ Check additional disclosure requirements for compliance with the CIPFA Code.
<p><u>IFRS 15 Revenue from contracts with customers</u></p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue may change and new disclosure requirements introduced.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. ▶ Consider application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Check additional disclosure requirements.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money (VFM) conclusion. For 2018/19 this is based on the overall evaluation criterion: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

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

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

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

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Initial risk assessment

For the 2017/18 audit we qualified the VFM conclusion in relation to Council's weaknesses in meeting financial reporting duties for publishing draft and audited accounts and the VFM criteria 'Informed decision making', specifically the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities. In our July 2020 Audit Results Report we included recommendations for improving financial reporting, which management accepted. For 2018/19, our initial VFM risk assessment is that we have a significant risk in respect of the VFM criteria 'Informed decision making' and the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities. Our initial response will be to follow up the recommendations we reported to the Committee in July 2020.

We will continue to revisit this assessment as our audit progresses and update the Audit and Corporate Governance Committee of any changes.



04

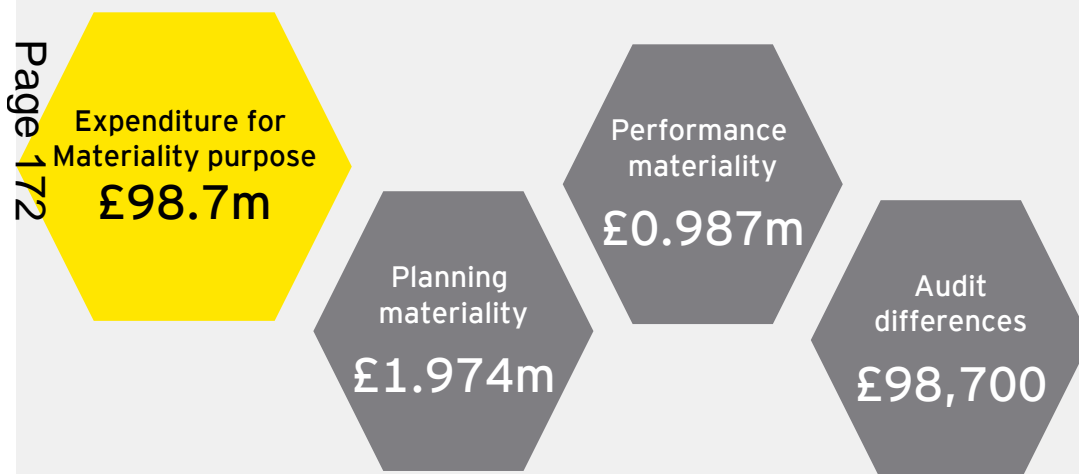
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1.974 million. This represents 2% of the Council's 2018/19 gross expenditure as per the draft accounts. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. This can either be 50% or 75% of planning materiality. We have used 50% because of the number of errors in the prior year accounts. This is a decrease on the percentage used last year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

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

Specific materiality – We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

1. Financial statement audit

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

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

Procedures required by standards

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

Procedures required by the Code

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

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

Our intention is to carry out a fully substantive audit in 2018/19 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2018/19, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

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

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

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

Internal audit:

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

Scoping the group audit

Group scoping

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

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

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

Scoping by Entity

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

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

Scope definitions

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

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

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

Specified Procedures: where the component team performs procedures specified by the group audit team to respond to an identified risk.

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

Scoping the group audit (continued)

Scoping coverage

Based on our discussions with management to date and knowledge from the 2017/18 audit we anticipate:

- ▶ Relying on the audit work of the component auditor in respect of Ermine Street Housing. The impact of this subsidiary on group income and expenditure will be immaterial, however, it does hold significant property assets that require valuation and alignment of accounting policies. Our focus is on those balances that could contain a risk of material misstatement.
- ▶ Undertaking other procedures in relation to Shire Homes Lettings Ltd. To date this entity is not impacting materially on the group. Our focus will be on ensuring that this remains materially correct in 2018/19.

We will update the Committee if there are any changes to our scoping coverage throughout the audit.

Key changes in scope from last year

- ▶ The Council's accounts remain subject to full audit by the primary audit team
- ▶ Ermine Street Housing was a full scope audit in previous years, and as such there have been no changes to that entity.
- ▶ Shire Homes Lettings Ltd will be covered by other procedures in 2018/19.

Details of specified procedures

In order to respond to the risk identified in relation to the valuation of land and buildings we will seek to rely on the work of the component auditor.

We will consider whether the scoping decisions remain appropriate based on the 2018/19 accounts of the two entities.

Group audit team involvement in component audits

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

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



06

Audit team and use of specialists



Audit team

The engagement team continues to be led by Suresh Patel and managed by Mark Russell, with support from Jacob McHugh. The team have established good working relationships with the Committee and the finance team and have significant public sector audit experience.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

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

Area	Specialists
Valuation of Land and Buildings & Housing	Council's valuers - Wilkes Head and Eve (housing) & Valuation Office Agency (VOA) (non-housing) EY Real Estates Team (if required)
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team
Financial Instruments	Linked Asset Services (management specialist)
NNDR appeals provision	Analyse Local (management specialist)

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

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

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



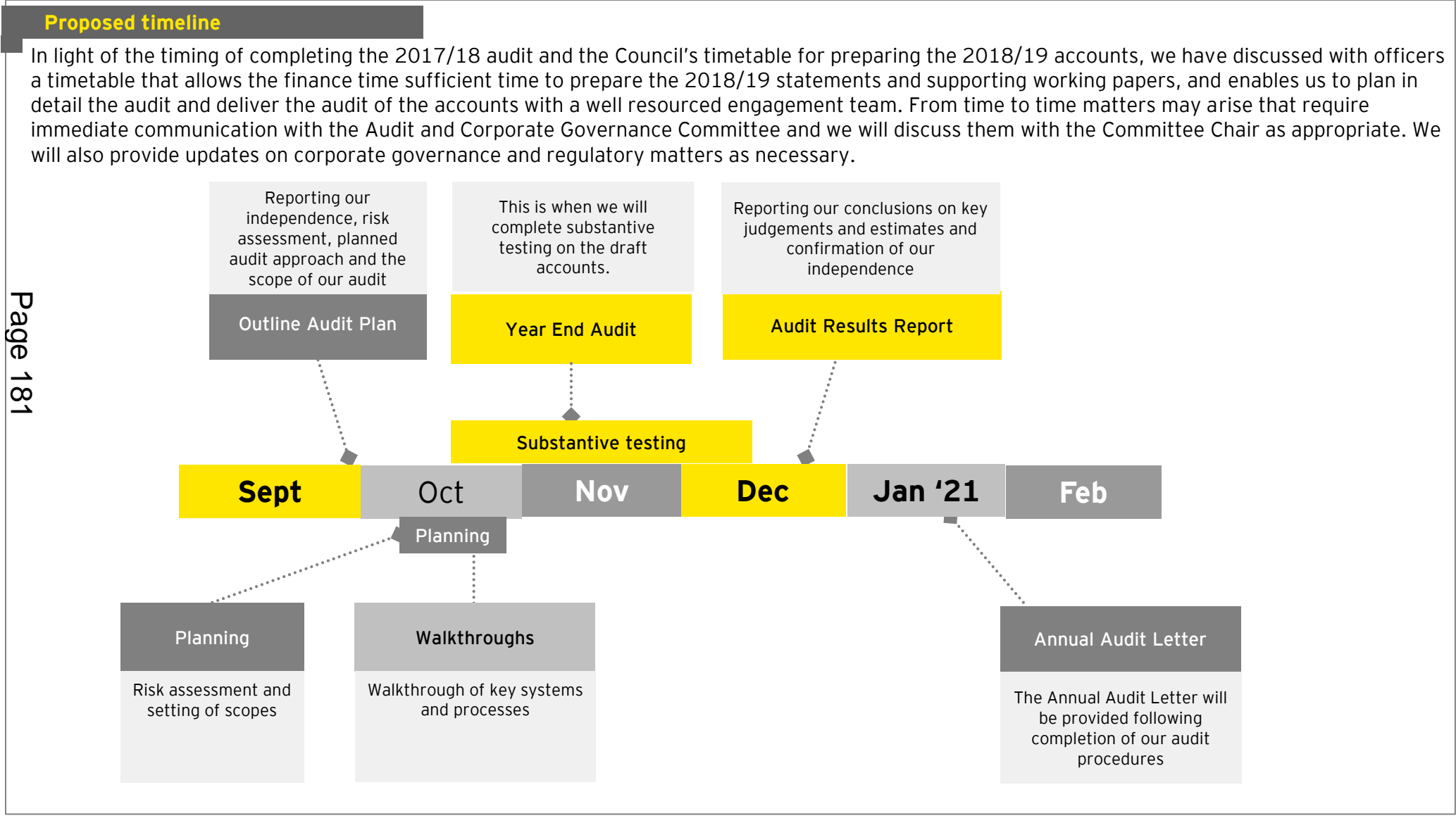
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Audit timeline



⌚ Proposed audit timeline

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Independence



Introduction

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

Required communications

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

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

At the time of writing, there are no non-audit services and therefore we do not need any additional safeguards.

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

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

Self review threats

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

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

Relationships, services and related threats and safeguards (cont'd)

Management threats

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

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

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
<p>Page 185</p> <p>We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2018/19. We commenced some of the agreed upon procedures on the certification arrangements. Our current fee level is £9,190 however we will update you should this amount change.</p>	<p>Self review threat - figures included in the return are also included in the 2018/19 financial statements.</p>	<p>Relates to 2018/19 return for the period to 31 March 2019.</p>	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2018/19.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



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Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19 (£)	Final Fee 2017/18 (£)
Scale Fee - Code work	40,021	51,975
Additional risks and areas of focus (Note 1)		
- Group accounts	4,000-5,000	5,000
- Additional audit overruns & delays	-	142,000
- Impact of 50% performance materiality & higher risk factors (Note 2)	10,000-20,000	-
- Data migration relating to new Fixed Asset Register (FAR) (Note 3)	1,500-7,500	-
- New financial management system use of EY ITRA (Note 4)	7,500-9,000	-
- Going concern (Note 5)	TBC	-
- New accounting standards	TBC	-
- Impact of Covid-19 on the audit opinion and EY consultations (Note 6)	TBC	-
Total audit	TBC	198,975
Non-audit services:		
Housing Benefits (note 7)	9,190	10,870
Total other non-audit services	9,190	10,870
Total fees	TBC	209,845

All fees exclude VAT

Note 1: Where possible we have included a range for the additional fees associated to known new risks and areas of audit focus. We will revisit these ranges on completion of the work and seek agreement with the Section 151 officer.

Note 2: Using the lower testing threshold of 50% of performance materiality in addition to using higher risk factors will increase sample sizes and require additional audit input.

Note 3: Additional testing relating to the new FAR.

Note 4: Additional input from EY IT specialists

Note 5: To review the Council's going concern assessment and associated disclosure.

Note 6: Additional inputs to ensure we are giving the right assurances in the audit opinion. This will involve internal EY consultation.

Note 7: You engage us separately as the reporting accountant to the DWP on your claim for housing benefit subsidies. This is outside the PSAA contact.

The fees presented is based on the following assumptions:

Officers meeting the agreed timetable of deliverables;

Our accounts opinion being unqualified;

Appropriate quality of documentation is provided by the Council;

The Council has an effective control environment; and

Consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

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

Appendix B

Required communications with the Audit and Corporate Governance Committee

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

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan - September 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - December 2020



Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

Our Reporting to you		
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - December 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - December 2020
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - December 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence. 	Outline Audit Plan - September 2020; and Audit Results Report - December 2020




Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - December 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Corporate Governance Committee may be aware of 	Audit Results Report - December 2020
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - December 2020
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - December 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - December 2020
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - December 2020

Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Outline Audit plan - September 2020 Audit Results Report - December 2020
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - December 2020

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Corporate Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Corporate Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.



Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

EY | Assurance | Tax | Transactions | Advisory

About EY

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

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ED None

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ey.com

South Cambridgeshire District Council

Annual Audit Letter for the year
ended 31 March 2018

August 2020

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Focused on your
future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

We are required to issue an annual audit letter to South Cambridgeshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	<p>Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.</p> <p>The audit has taken two years to complete due to difficulties the Council has experienced in preparing its 2017/18 accounts, supporting working papers and in dealing with the audit. In addition, because of the significant increase in audit input required, our own resourcing challenges have contributed to the protracted audit. Finally, the Covid-19 pandemic further delayed the completion of the audit and then necessitated additional consideration of the Council's going concern assessment and new disclosure.</p> <p>We issued our auditor's report on 13 July 2020. The report included a paragraph to emphasise to the reader of the accounts the Council's disclosures on the impact of the Covid-19 pandemic on its financial position.</p>
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We determined that the difficulties experienced by the Council in preparing its accounts and supporting working papers for the third year in succession, represented a weakness in financial reporting. As a result, we concluded that except for the arrangements for producing reliable and timely financial reporting, the Council had put in place proper arrangements to secure value for money in their use of resources for 2017/18.

Area of Work	Conclusion
Reports by exception: ► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Executive Summary (cont'd)

In addition we have also:

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	<p>Owing to the protracted nature of the audit and the extent of significant issues we identified we have reported to the Audit and Corporate Governance Committee on the 2017/18 audit on several occasions including:</p> <ul style="list-style-type: none">• In 2018 - April, July, September and December.• In 2019 - March, April, September and December. <p>The March 2020 meeting was cancelled as a result of the Covid-19 pandemic.</p> <p>We issued our Final Audit Results Report to the 9 July 2020 Committee.</p>
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice.	We issued the certificate within the auditor's report on 13 July 2020.

Given the challenges we faced in undertaking the audit and its protracted nature, we have been required to input a significant level of additional audit time to enable us to complete the audit. We have regularly reported to the Council the increasing audit input throughout the last 18 months. On completion of the audit in July, we have shared with the Section 151 officer our proposal for an additional audit fee, which has taken into account some of the inefficiencies in audit progress caused by our own resourcing challenges during the summer of 2019. We include the final fee on page 20.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

Over the last two years we have reported the detailed findings from our audit work several times to the Audit and Corporate Governance Committee and issued our final Audit Results Report on the 2017/18 accounts to the 9 July 2020 meeting. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we presented at the 22 March 2018 Audit and Corporate Governance Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your WGA return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO and issued an unqualified audit report on 13 July 2020. We reported our final findings to the 9 July 2020 Audit and Corporate Governance Committee.

We summarise here the key risks we identified and our conclusions.

Significant risk	Conclusion
Management override of controls That senior officers of the Council could avoid or work around the checks that are in place to ensure income and expenditure is accounted for correctly.	We found no evidence in our testing that management had overridden controls.
Inappropriate capitalisation of revenue expenditure That the Council could try reduce the level of expenditure recorded as being charged to services by accounting for some of it as costs related to land, buildings and equipment.	We found no evidence in our testing that management had accounted for expenditure on services as spend relating to land, buildings and equipment.
Preparation of the accounts, supporting working papers and dealing with the audit The Council has faced difficulties in preparing its accounts and supporting working papers in 2015/16 and 2016/17 due largely to capacity and capability within the finance team. There was a risk that these difficulties would remain for 2017/18.	<p>We regularly communicated to the Committee the significant challenges faced by the Council in preparing its accounts, supporting working papers and dealing with the audit process. Since March 2018 we worked collaboratively with the finance team and the different interim accountants appointed by the Council. During the same period the Council had changes to the Head of Finance and Section 151 post holder, including interim arrangements from December 2018 to May 2019. The Council appointed a permanent Section 151 officer in June 2019. We acknowledge our audit resource issues in the summer of 2019 also impacted on the progress of the audit.</p> <p>Since the permanent Section 151 appointment, the Council has strengthened its finance team and financial reporting capabilities with the further appointment of an experienced interim chief accountant, strengthening these capabilities for the preparation of the 2018/19 and 2019/20 accounts and subsequent external audits.</p> <p>If the interim appointment ends after the 2019/20 audit the Council will need to consider carefully the capacity and capability of the finance team to adequately prepare the 2020/21 accounts.</p>

Financial Statement Audit

Other Areas of Audit Focus

Conclusion

Valuation of Other Land and Buildings and Investment Properties

The Council owns £480m of houses and £29m other land and buildings. The valuation of these assets is a significant estimate, involving the use of a valuation expert and requires judgement from senior officers. A small error in judgement can have a big impact on the valuation.

Our work did not identify any significant issues but the Council did change the accounts for some smaller issues we identified.

Pension Liability Valuation

The Council's pension fund deficit is a material estimated balance which is disclosed on the Council's balance sheet. At 31 March 2018 this totalled £59m.

The Council determined that two national issues arising in 2019 and impacting all local council pension schemes did not need to be reflected in the 2017/18 accounts.

We were satisfied with the disclosure of the pension liability.

Page 16
Going concern

The Covid-19 pandemic has had a significant impact on the Council's finances. As the 2017/18 financial statements were approved after the outbreak, the Council has been required to disclose in its accounts the impact of the pandemic on its income, expenditure and funds.

The Council carried out a detailed assessment to inform a new disclosure note on going concern. We challenged the assessment and worked collaboratively with the Head of Finance to ensure the Council's disclosure was clear, transparent and balanced.

Within our auditor's report we emphasised the new disclosure.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.9m which is 2% of gross revenue expenditure reported in the accounts. This results in a performance materiality, at 50% of overall materiality, of £0.95m. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit and Corporate Governance Committee that we would report to the Committee all audit differences in excess of £94,000.



Financial Statement Audit (cont'd)

Our application of materiality (continued)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

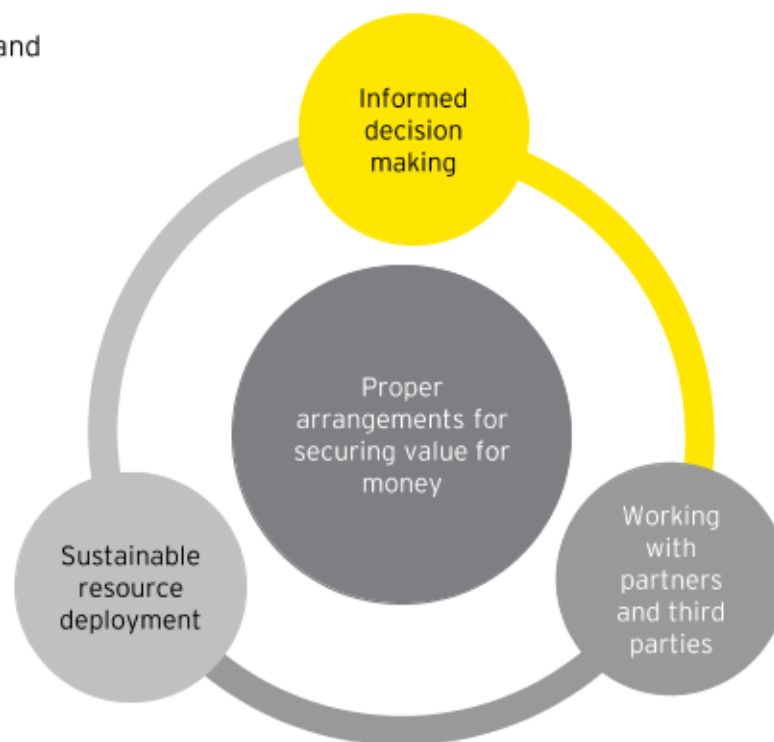


04 Value for Money

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

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

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



In our Audit Plan we did not identify any risks in relation to the value for money (VFM) conclusion. However, as 2017/18 was the third year in succession that the Council had experienced difficulties in preparing its accounts, supporting working papers and servicing the audit, we determined that there was sufficient evidence to suggest a deficiency in the VFM criteria 'Informed decision making', specifically the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities.

As a result, we concluded that except for the arrangements for producing reliable and timely financial reporting, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in your use of resources.



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

The Council falls below the NAO's threshold for auditor review.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the **Council** to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Corporate Governance Committee on 9 July 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.



Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

In light of the issues we identified and reported in respect of the preparation of financial statements, supporting working papers and the ability of the Council to deal with and respond to audit queries, in our Final Audit Results Report we identified some areas for improvement for 2018/19 and 2019/20:

1. Working papers - supporting working papers should be prepared at the time that the statement of accounts are prepared, with a particular focus on documenting judgements made in determining accounting entries. In addition, good practice elsewhere includes some form of quality assurance by officers before working papers are provided to external audit for review.
2. Accounts preparation - the Council should establish key milestones in its plan for preparing its statement of accounts, monitor achievement of milestones, take prompt action where delivery is off track and communicate clearly and regularly progress to the Audit and Corporate Governance Committee and external audit.
3. Finance team capacity - we acknowledge and recognise the positive steps taken by the Council during 2019 to strengthen its finance team capacity but are also aware of the Head of Finance's own concerns for 2020. The Council needs to ensure that it has sufficient capacity to deliver all its financial reporting duties for 2018/19 and 2019/20 before agreeing on a specific timetable for the external audit of those financial years.
4. Related party transactions - we found that records for supporting the disclosure of related parties had been destroyed prior to audit work being undertaken. The Council needs to ensure it retains all records to support the completeness and accuracy of its disclosures in relation to related parties.
5. Fixed assets register - We have previously reported issues with the complexity and size of the Council's fixed asset register which has contributed to the difficulties the Council has faced in preparing its statement of accounts. We are also aware that these issues are impacting on the transfer to a new fixed asset register. The Council needs to resolve this issues before it prepares its 2018/19 statements.

The Council has agreed to address the areas for improvement we have reported. We will follow up on their actions as part of the 2018/19 audit.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in 2018/19. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>The 2018/19 Accounting Code of Practice for Local Authorities provides guidance on the application of IFRS 9.</p>	<p>For the 2018/19 accounts the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets; ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, CIPFA have issued guidance and the impact of this standard is likely to be limited.</p> <p>However, the standard does impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The impact on the Council, is therefore extended to due consideration of the impact on group consolidation.</p>

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07

Audit Fees

Audit Fees

In our regular reporting to the Audit and Corporate Governance Committee we have been transparent on the impact of the prolonged and complicated nature of the audit on audit fees. We have also made it clear that we have taken into account the issues created by our own resourcing challenges during the summer of 2019.

In our Final Annual Results Report presented to the Audit and Corporate Governance Committee on 9 July 2020 we highlighted that we had carried out a significant level of additional work to complete the audit. This has included late and additional work required in respect of going concern and the Council's new disclosure note. We reported that we would be seeking to agree the significant additional fee with the Council's Head of Finance. In the table below we summarise the fees that we have agreed and that are now subject to approval by PSAA.

	Final fee 2017/18	Planned fee 2017/18	Final Fee 2016/17
		£	£
Base fee	51,975	51,975	51,975
Group scoping	5,000	5,000	3,940
Additional audit work	142,000	60,000-80,000	29,616
Total audit	198,975	116,975-136,975	85,531
Other non-audit services not covered above (Housing Benefits)	10,870	9,190	13,973
Total other non-audit services	10,870	9,190	13,973
Total fees	209,845	126,165-146,165	99,504

All fees exclude VAT

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Agenda Item 8



REPORT TO: Audit & Governance

29 September 2020

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

Treasury Management – Annual Report 2019/2020

Executive Summary

1. This report outlines the Treasury Management activities in the financial year 2019/2020 and invites the Audit and Governance Committee to note the Treasury Management performance and approve the report.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendations

3. That Audit and Governance Committee is requested to consider the report, to seek any clarification and, if satisfied, approve the Treasury Management Annual Report.

Reasons for Recommendations

4. To consider a report on Treasury Management activities during the financial year 2019/2020.

Details

Treasury Portfolio 2019/2020: Summary Position

5. The summary position as at 31 March 2020 (with comparable data for 31 March 2019) is shown below:

	31 March 2019		31 March 2020	
	£000	Rate %	£000	Rate %
Borrowing				
PWLB	205,123	3.51	205,123	3.51
LOBO - Market	Nil		Nil	
Local Authority	3,000	0.80	10,000	0.82
Other Long Term Liabilities	Nil		Nil	
Total Debt	208,123		215,123	
Investments	(97,658)		(111,719)	
Net Borrowing/(Investment)	110,465		111,719	

Investments

6. Investments are categorised into long and short term (i.e. less than 365 days). The sum of £29.36 million had less than one year to maturity as at 31 March 2020 and is, therefore, classified as short term. The remaining balance held of £74.04 million is classified as a long term investment. The increase in Long Term Investments reflects the increased allocation to South Cambs Limited and loan to Cambridge Leisure and Ice Centre during the year. A summary of the investments held is shown below:

	Balance 01/04/2019	New Investments	Maturities/ Sales	Interest Accrued	Balance 31/03/2020
	£000	£000	£000	£000	£000
Investment Counterparty					
Short Term:					
Clearing Banks	14,000	18,000	(27,000)	(46)	5,000
Other Banks	4,000		(4,000)		Nil
Building Societies	3,000	13,000	(16,000)		Nil
Housing Associations	5,000	5,000	(5,000)	(55)	5,000
Local Authorities	4,500	51,700	(46,700)	(4)	9,500
Money Market Funds	7,175	221,170	(218,485)	(2)	9,860
Call Account	75	73,630	(73,705)	(1)	Nil
Long Term:					
CLIC (Ice Rink Loan)	1,255	1,145		(96)	2,400
South Cambs Ltd	58,653	12,991		(536)	71,644
Total Investments	97,658				103,404
Increase/(Decrease) in Investments					5,756

7. Investment returns remained low during 2019/2020. The UK Bank Rate remained at its August 2018 level of 0.75% for most of 2019/2020 and this provided a degree of stability for the Council's liquid holdings and in the short term Local Authority Market. Short term money market rates are still, however, at very low levels with average 3 month London Interbank Bid Rate (LIBID) in 2019/2020 being 0.63%, 6 month LIBID 0.70% and 1 year LIBID 0.80%. These rates correlate to the anticipated return to be achieved on investments over the durations quoted. The Council's actual return of 2.91% shows the effect of the portfolio's long term duration set out above.
8. A recurring theme throughout 2019/2020 in the UK was the uncertainty regarding the withdrawal process from the European Union, acting as a dampener on growth and inflation expectations. The initial departure deadline of 29 March 2019 was initially extended to 12 April 2019, then to 31 October 2019 and finally 31 January 2020. The General Election in December 2019 provided a working majority to the Government and, in January 2020, withdrawal agreement legislation was passed, taking the UK into a transition period that is due to run until 31 December 2020.

9. Any prospect that the move to the transition period, prior to withdrawal from the European Unit, might lead to an increase in growth potential in the UK were, however, dashed as the full effects of the Coronavirus pandemic began to emerge. Following the initial outbreak and subsequent lockdown in China, the virus has spread globally with hotspots in Europe and the United States of America. In the UK a lockdown was implemented in late March 2020 with the closure, at that time, of schools and all non-essential retail outlets.
10. In response to the emerging crisis interest rates were cut globally with banks seeking to provide liquidity through the purchase of financial assets. In the UK itself, the Bank of England cut the Base Rate initially on 11 March 2020 to 0.25% (from 0.75%) and subsequently it was reduced further on 19 March 2020 to a record low level of 0.1%.
11. The Government also introduced a number of measures that sought to help businesses survive the crisis caused by the Coronavirus pandemic, including loan guarantees for bank lending, payment of business grants and the expansion of retail relief reducing the business rates liability for many businesses. Given the uncertainty throughout 2019/2020 a cautious approach has been evident whereby investments continued to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to prevailing borrowing rates.
12. Public Works Loan Board (PWLB) rates and gilt yields have continued to experience levels of volatility linked to geo-political, sovereign debt crisis and emerging market developments. Following a decline in gilt yields over the summer months, on 9 October 2019 HM Treasury suddenly announced that with immediate effect the PWLB margin above UK gilts would be increased from 80 bps to 180 bps. This announcement increased the borrowing costs on newly arranged loans from PWLB by 1%. At the same time the Treasury increased the lending limit of the PWLB from £85 billion to £95 billion.
13. The overall structure of interest rates has for some time meant that short term rates have remained lower than long term rates. In this scenario, the strategy has continued to be to reduce investments and borrow for short periods and possibly at variable rates when required. However, this needs careful review to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure and/or refinance maturing debt.
14. The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that, within acceptable risk parameters, the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market. This objective has been reinforced in the Treasury Management Strategy approved by Council on 20 February 2020. The Council has also appointed a Treasury Management Advisor, Link Asset Services, to enable independent specialist advice to be obtained on all aspects of the treasury management function, including advice on investments.
15. Due to higher balances than forecast further loans were made to South Cambs Ltd without taking on significant borrowing. This enabled a further £5.7 million to be invested across asset classes during 2019/2020 with £7 million borrowed during January and £3 million in February to meet cash flow requirements. This short term borrowing for cash flow purposes was repaid in full in April 2020

16. The table below lists the £19.5 million held in fixed term investments as at 31 March 2020. These investments include deposits with other local authorities and registered providers:

	Amount	Interest	Total	Term	Rate	Maturity Date
	£000	£000	£000	Days	%	
Counterparty						
Lloyds	1,000	12.500	1,013	365	1.25	30/04/2020
Lloyds	2,000	24.110	2,024	364	1.25	20/05/2020
Lloyds	1,000	10.970	1,011	364	1.10	31/07/2020
Lloyds	1,000	10.327	1,010	364	1.05	28/08/2020
Places for People	1,000	13.962	1,014	364	1.40	27/05/2020
Places for People	2,500	36.151	2,536	364	1.45	30/06/2020
Places for People	1,500	21.690	1,522	364	1.45	06/07/2020
Conwy CBC	2,000	1.808	2,002	33	1.00	15/04/2020
Uttlesford DC	2,500	2.858	2,503	39	1.07	27/04/2020
Peterborough CC	5,000	5.055	5,005	41	0.90	23/04/2020
Total	19,500					

17. The remaining £9.86 million of short term investment balances were held in money market funds and the Council's Call account for liquidity purposes.
18. Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy, as set out in its Treasury Management Strategy Statement for 2019/2020, which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.
19. All new investments are undertaken in accordance with advice from the Council's Treasury Management Adviser. A list of investment counterparties used during 2019/2020 is listed in **Appendix A**.

Borrowing

20. At 31 March 2020 the Council had external borrowing of £215.123 million.

	Balance 01/04/2019	Maturing Debt	Reclassified Debt	New Debt	Balance 31/03/2020
	£000	£000	£000	£000	£000
Borrowing					
Short Term Borrowing	3,000	(14,000)		21,000	10,000
Long Term Borrowing	205,123				205,123
Total Borrowing	208,123				215,123
Other Long Term Liabilities					
Total External Debt	208,123				215,123

21. £205,123 million of the total relates to borrowing from the PWLB. The PWLB loans were obtained for Housing Revenue Account (HRA) purposes as part of the HRA Self-Financing in 2012. These loans are fixed interest maturity loans having an average term to maturity of approximately 26 years and bearing interest at an average rate of 3.51%.
22. The Council also held £10 million of borrowing (£7 million Local Authorities and £3 million Building Society) which was taken for cash flow purposes during Quarter 4. The Council was expecting significant s106 monies during the final quarter of the financial year but there was significant uncertainty about exactly when this would be received. Some short-term borrowing was, therefore, taken out to finance the purchase of the commercial premises at 270 Cambridge Science Park pending the receipt of this money which arrived in late March 2020.

Cash Management

23. In keeping with the MHCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity averaging £7.75 million through the use of Money Market Funds and call accounts.
24. Internal Treasury Management includes the management of the Council's bank account balances. The aim is for all cleared funds to be deposited in interest bearing accounts or time deposits.

Outturn Budget Monitoring

25. Council, at its meeting on 21 February 2019, approved a net budget for interest payable and investment income in 2019/2020 of £2.004 million. Higher than forecast investment balances in the year contributed to an increase in interest receivable and lower than forecast capital expenditure in 2019/2020 resulted in lower Minimum Revenue Provision (MRP) cost. MRP is not applied to lending to South Cambs Ltd.
26. The budget is compared to the final outturn position in the table below:

	Budget 2019/2020	Outturn 2019/2020	Variance
	£000	£000	£000
Expenditure Description			
Interest Payable - PWLB & Short Term Loans	7,188	7,273	85
Contribution to/(from) Reserves/Provision	(390)	682	1,072
Minimum Revenue Provision	176	581	405
Interest Receivable	(2,004)	(2,870)	(866)
Net Expenditure	4,970	5,666	696

27. The significant variance against budget was the Contribution to/from Reserves with the Reserves increasing by £682,000 rather than reducing in 2019/2020. The additional contribution to the Northstowe Reserve, agreed at Cabinet at its meeting on 4 March 2020, was the main item in the change to Reserves.

Benchmarking

28. Benchmarking data is also provided by the Council's Treasury Management Adviser. Investment return rates for the year to 31 March 2020 (excluding lending to South Cambs Ltd) are reported on a quarterly basis and were better than the client average and can be compared as follows:

Quarter Ending	Investment Returns	
	SCDC	Client Average
30 June 2019	1.04%	0.92%
30 September 2019	0.98%	0.89%
31 December 2019	0.94%	0.87%
31 March 2020	0.91%	0.75%

29. Benchmarking data on average weighted credit scores of the Council's counterparties (based in information held by the Council's Treasury Management Adviser) is set out in the table below and illustrates the Council's credit risk position in relation to other Councils:

Quarter Ending	Weighted Average Credit Risk	
	SCDC	Comparators
31 March 2019	3.82	3.23
30 June 2019	3.71	3.37
30 September 2019	4.11	3.35
31 December 2019	3.21	3.13
31 March 2020	2.53	2.88

30. The benchmarking shows that the Council's portfolio began the year with a slightly higher average credit risk than its Comparators group and finished the year with slightly lower exposure than the group. This has been achieved whilst maintaining investment returns above the client average.

Treasury Management Strategy for 2019/2020

(a) Interest Rates and Investments

31. The Treasury Management Strategy for 2019/2020 was prepared in the context of an expected low interest rate policy with Bank of England Base Rate predicted to move from 0.50% to 0.75% during the year. The Base Rate was subsequently raised to 0.75% in August 2018 and remained at this level until March 2020. Volatility in the financial markets has continued to affect the Council's holdings.
32. The Council continued its policy of minimising risk by investing in Fixed Deposits only with highly rated Banks and Building Societies, Local Authority Counterparties and Registered Providers and using Money Market Funds and Bank Call Accounts to manage liquidity. This policy coupled with using pooled fund investments (suitably diversified) to maximise interest return on an element of the Council's portfolio has enabled the Council to reduce the cost of Capital Financing.

(b) Borrowing

33. The 2019/2020 borrowing strategy was based upon obtaining new PWLB loans of £32.5 million to fund the capital programme. Careful management of cash flows and short term borrowing enabled the Council to fund the capital programme without entering into long term borrowing. Council did borrow £21 million of short term Local Authority loans for operational liquidity during the year, and £10 million of this was outstanding as at 31 March 2020.
34. During 2019/2020 there was a requirement for short term external borrowing of £10 million. Unfinanced capital expenditure was met from internal cash borrowing. This is inclusive of additional loans to the value of £12.991 million made to South Cambs Limited and £1.1 million made to Cambridge Leisure & Ice Centre from cash balances. These loans are recognised as capital expenditure in the year increasing the Council's underlying need to borrow (the Capital Financing Requirement).

	Actual 2018/2019 £'000	Original Budget 2019/2020 £'000	Actual 2019/2020 £'000
Capital Financing Requirement (CFR) as at 1st April			
- General Fund	42,422	65,646	65,646
- HRA	204,429	204,429	204,429
Total	246,851	270,075	270,075
Change in the CFR	23,311	32,507	39,536
Minimum Revenue Provision	-87	-176	-581
Capital Financing Requirement (CFR) as at 31 March	270,075	302,406	309,030

Economy

35. The Council's Treasury Management Advisers have provided a summary of the economy during 2019/2020, and related performance, and this is included at **Appendix B**.

Compliance with Performance Indicators

36. During the financial year the Council operated within the treasury limits and prudential indicators approved by Full Council on 21 February 2019.
37. Performance against prudential indicators in 2019/2020 was as follows:

**(1) Acceptance of the CIPFA Treasury Management Code of Practice
(National Indicator)**

This indicator demonstrates that the Council adopted the principles of best practice. The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in January 2012. The Council adopted the CIPFA Treasury Management Code & Guidance Notes as part of its Treasury Management Policy and Strategy which was considered and approved at its meeting on 21 February 2019.

(2) Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures is expressed as the proportion of net principal borrowed.

Maturity structure of borrowing	Under 12 months	More than 12 months	Under 12 months - Actual	More than 12 months - Actual
Upper limit for fixed interest rate exposure	100%	100%	4.65%	95.35%
Upper limit for variable rate exposure	100%	0%	0%	0%

(3) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Fixed Rate Borrowing		
Lender	Repayable within	Amount £,000
Local Authorities	<12 Months	10,000
PWLB	15 – 20 years	35,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	50,000
PWLB	35 – 40 years	20,123

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment.

(4) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

The only loans exceeding 364 days are loans made to South Cambs Ltd, a wholly owned subsidiary of the Council, and Cambridge Ice and Leisure Centre (CLIC). Lending to CLIC formed 2% of the investment portfolio at 31 March 2020.

The limit relates to the maximum amount that can be invested in year. With regard to liquidity, no more than 50% of the total average portfolio held will be invested in instruments over 364 days, excluding South Cambs Ltd.

(5) Credit Risk

The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk but they are not a sole feature in the assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength and information on corporate developments and market sentiment towards counterparties. The following key tools are used, either by ourselves or the appointed Treasury Advisers to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals (such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The only indicators with prescriptive values are credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

(6) Liquidity Risk

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Implications

38. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

39. The Council is required to have regard to the CIPFA Code of Practice for Treasury Management in the Public Services. The Code recommends that an annual post year report on Treasury Management activities is prepared for consideration after each year end.

Policy

40. Full Council, at its meeting on 21 February 2019, approved the Council's Treasury Management Policy and Strategy Statements for 2019/2020 and the Strategy was reaffirmed by Audit and Governance Committee, at its meeting on 19 December 2019, following a mid-year review.

Finance

41. In 2019/2020 the Council managed a turnover in investments of £387 million (£356 million in 2018/2019) in-house within the Finance Team in the Finance Directorate. As at 31 March 2020, the Council had funds to the market value of £103.4 million (£98.8 million at 31 March 2019), all managed in-house. These funds include capital balances, reserves and provisions, collection fund monies and monies held on behalf of third parties. The increase was due primarily to higher Grant income and retained business rates.

42. At 31 March 2020 the Council had external borrowing of £215.1 million plus £Nil million of leasing liabilities (£208.123 million with no refuse vehicle leasing liabilities at 31 March 2019)

Risks

43. There are clearly inherent risks in placing investments both in terms of the security of the capital invested and the level of return from the investment. The approved Treasury Management Strategy 2019/2020 identified the Council's investment priorities as:
- (i) The security of the capital;
 - (ii) The liquidity of its investments.
44. The Treasury Management Strategy states that the Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.
45. The Council engages an external Treasury Management Adviser to provide appropriate and timely advice on the Council's treasury portfolio (and, in particular, to provide advice on counter-party creditworthiness and investment limits). This appointment is regarded as critical given the investment risks.

Environmental

46. There are no direct environmental implications arising from the report.

Equality and Diversity

47. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. A relevance test for equality has determined that the activity has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality impact assessment is not needed.

Effect on Council Priority Areas

48. Timely and robust consideration of the Council's treasury management activities is vital to ensure that financial performance is in line with expectations.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Setting Report – Report to Council: 21 February 2019
- Capital Strategy 2019 - 2023 – Report to Council: 22 February 2018
- Treasury Management Strategy – Report to Council: 21 February 2019

Appendices

A Investment Counterparties 2019/2020

B Treasury Management Adviser – Economic Review 2019/2020

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Investment Counterparties 2019/2020

The Council's investment counterparties used during 2019/2020 are listed below:

Category	Counterparty
Building Society	Yorkshire BS
Building Society	Coventry BS
Clearing Bank	Barclays Bank
Clearing Bank	Lloyds Bank
Clearing Bank	Santander UK
Other Bank	Close Brothers
Housing Association	Places for People
Local Authority	Lancashire CC
Local Authority	Bury MBC
Local Authority	Peterborough City Council
Local Authority	Uttlesford DC
Local Authority	Conwy CBC
Local Authority	North Herts DC
Local Authority	Devon & Cornwall Police
Local Authority	Cornwall Council
Local Authority	LB of Barking and Dagenham
Local Authority	Wakefield Council
Local Authority	PCC for Northumbria
Local Authority	Suffolk County Council
Local Authority	Moray Council
Local Authority	Barnsley MBC
Local Authority	Buckinghamshire CC
Local Authority	North Tyneside Council
Local Authority	Calderdale MBC
Money Market Fund	Aberdeen Standard Life
Money Market Fund	Deutsche Bank
Call account	Barclays Bank plc
South Cambs Ltd	Ermine Street Housing
Other investments	Cambridge Leisure and Ice Centre

Treasury Management Adviser – Economic Review 2019/2020

UK. Brexit. The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 down at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the **coronavirus outbreak**. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE)**, essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

USA. Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a \$2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to \$6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of \$1,200 to individuals.

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost \$367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be \$500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including \$50bn for airlines.

However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.

EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of TLTROs; this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021.

However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.

WORLD GROWTH. The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

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