

20 July 2022

To: Chair – Councillor Michael Atkins
Vice-Chair – Councillor Peter Sandford
Members of the Audit and Corporate Governance Committee –
Councillors Jose Hales, Geoff Harvey, Helene Leeming, Richard Stobart
and Heather Williams

Quorum: 3

Substitutes: Councillors Mark Howell, Graham Cone, Sue Ellington,
Dr. Richard Williams, Bunty Waters, James Hobro, Dr Lisa Redrup,
Pippa Heylings and Stephen Drew

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be held in **Council Chamber - South Cambs Hall** at South Cambridgeshire Hall on **Thursday, 28 July 2022** at **10.00 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 29 March and 7 April 2022 as a correct record.	1 - 6

4.	Completion of the Audit and Accounts for 2019/20 and Future Years	7 - 106
5.	2019/20 External Audit Plan	107 - 150
6.	Annual Governance Statement 2019/20 and Local Code of Governance	151 - 174
7.	Internal Audit and Corporate Governance Update	175 - 186
8.	Internal Audit Plan	187 - 230
9.	Regulation of Investigatory Powers Act 2000 (RIPA) - Update on Use of RIPA	231 - 234
	Information Items	
10.	Matters of Topical Interest	
11.	Date of Next Meeting Thursday 29 September at 10 am.	

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

Notes to help those people visiting the South Cambridgeshire District Council offices

While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

Security

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail democratic.services@scambs.gov.uk

Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Leave the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park opposite the staff entrance

- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

If you feel unwell or need first aid, please alert a member of staff.

Access for People with Disabilities

We are committed to improving, for all members of the community, access to our 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. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can get both neck loops and earphones from Reception.

Other Facilities

Facilities are available for nursing mothers. Please ask a member of staff for more information.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

We are open and transparent about how we make decisions. We allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent/vibrate mode.

Banners, Placards and similar items

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared. The meeting will be suspended until order has been restored.

Smoking

Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one is allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. You are not allowed to bring food or drink into the meeting room.

This page is left blank intentionally.

Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on Tuesday, 29 March 2022 at 10.00 a.m.

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

Councillors: Jose Hales
Mark Howell
Geoff Harvey

Officers: Rory McKenna
Patrick Adams
Peter Maddock
Tara Nutbeam-King
Monitoring Officer
Senior Democratic Services Officer
Head of Finance
Corporate Fraud Manager

Auditors: Jonathan Tully
Head of Shared Internal Audit

Councillor John Williams was in attendance, by invitation.

1. Apologies for Absence

Apologies for Absence were received from Councillor Heather Williams.

2. Declarations of Interest

None.

3. Minutes of Previous Meeting

The minutes of the meeting held on 4 February 2022 were agreed as a correct record.

4. Completion of the 2018/19 Audit of the Accounts - Report to Follow

A vote was taken and by affirmation the Committee **Agreed** to defer this item to the next meeting to be held in April as the report had not been in the public domain for five clear working days.

The Deputy Head of Legal advised the Committee that a vote by affirmation was sufficient to take this decision.

5. 2018-19 Audit Results Report from External Audit - Report to Follow

A vote was taken and by affirmation the Committee **Agreed** to defer this item to the next meeting to be held in April as the report had not been in the public domain for five clear working days.

The Deputy Head of Legal advised the Committee that a vote by affirmation was sufficient to take this decision.

6. Internal Audit Update

The Head of Internal Audit introduced this report, which updated the Committee on the recent work of the Internal Audit team.

In response to questioning, the Corporate Fraud Manager, explained that the Fraud team were focussing on countering grant and business relief fraud. A recent investigation had uncovered a false claim of £10,000 for business relief which had resulted in a successful prosecution last week. The Fraud Team were also focussing on protecting the Council's housing assets and detecting social housing fraud and were recommending prosecution in a recent case. Councillor Mark Howell suggested that the work of the Fraud Team should be publicised in order to act as a deterrent.

The Committee **Noted** the report.

7. Regulation of Investigatory Powers Act 2000 (RIPA) Policy and Update on Use of RIPA

The Monitoring Officer presented this report which sought the Committee's approval of the current Regulation of Investigatory Powers Act (RIPA) policy and asked it note that the Council had not used its RIPA powers since its last meeting.

The Committee

Agreed to approve the Council's RIPA policy at Appendix A.

Noted that the Council had not used surveillance powers between January and February 2022.

8. Anti-Theft, Fraud, Bribery and Corruption Policy

The Head of Finance introduced this report which recommended that the Committee adopt the Corporate Fraud Policy. Councillor John Williams stated that the report vindicated the decision to set up a Corporate Fraud team in 2020. He thanked the officers for the important work that they were doing.

The Head of Finance reported that an apprentice had recently been recruited to fill a full-time vacancy. Work was being carried out to deal with the backlog caused by Covid-19. The Fraud Officer explained that there were various time limitations on investigations which led to the prioritisation of work. In some cases further investigations could be carried out.

Councillor Geoff Harvey supported the need for additional staff and Councillor Mark Howell's suggestion that the work of the Team be publicised. The Chair, Councillor Tony Mason, asked how the Whistleblowing Policy connected to the work the Fraud Team. The Fraud Officer explained that the Corporate Fraud Policy cross-referenced with the Whistleblowing Policy in paragraph 1.4 and the report in

section 7.1. She stated that the team were liaising with HR about the possible need to review the Whistleblowing Policy. The Head of Finance agreed to bring a report on the Whistleblowing Policy to the Committee meeting in July.

The Committee

Agreed to adopt the Corporate Fraud Policy, acknowledging the governing body's responsibility for ensuring that risks associated with fraud, theft, bribery and corruption were managed effectively across all parts of the organisation.

9. Matters of Topical Interest

Russian gas

In response to a question from Councillor Mark Howell, the Head of Finance reported that the Council did not have any direct investments with Russian gas and he agreed to check whether any of the organisations that the Council invested with had such a connection.

RIPA for Shared Services

The Head of Finance confirmed that the Council's RIPA policy applied to those directly employed by the Council and not to Shared Service officers who were employed by a different local authority. The Deputy Head of Legal added that he kept this matter under review and that he was unaware of any conflicts that had arisen due to the Shared Service arrangements.

10. Date of Next Meeting

The Committee noted that the next scheduled meeting had been arranged for Thursday 28 July at 10 am. It was agreed that another meeting should be arranged next week to discuss the signing off of the 2018/19 accounts. The Senior Democratic Services Officer agreed to contact members of the Committee and arrange a suitable date for this meeting.

The Meeting ended at 10.30 a.m.

This page is left blank intentionally.

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Thursday, 7 April 2022 at 11.00 a.m.

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

Councillors: Jose Hales Mark Howell
Heather Williams

Officers: Patrick Adams Senior Democratic Services Officer
Farzana Ahmed Chief Accountant
Rory McKenna Monitoring Officer
James Carter Interim Project Accountant
Liz Watts Chief Executive

Auditors: Janet Dawson Ernst & Young
Jonathan Tully Head of Shared Internal Audit

Councillor John Williams was in attendance, by invitation.

1. Apologies for Absence

Apologies for Absence were received from Councillor Geoff Harvey.

2. Declarations of Interest

None.

3. Completion of the 2018/19 Audit of the Accounts and 2019/20 Accounts Completion

The Deputy Head of Finance reported that the 2018/19 final accounts had been completed on Tuesday 29 March. They had been signed by the Council and an unqualified opinion on the accounts had been issued by the auditors. She thanked the officers and auditors for their hard work on this.

The Deputy Head of Finance explained that the aim was to produce the draft accounts for 2019/20 in the next 10-12 weeks.

The Committee **Noted**

- A)** That the 2018/19 final accounts audit was completed on Tuesday 29 March 2022. The Accounts have been signed by the Council and an unqualified opinion on the accounts have been issued by the auditors.
- B)** The timescales for completion of the 2019/20 accounts and subsequent audit.

4. 2018-19 External Audit Opinion

Janet Dawson, External Auditor, stated that EY had signed off the 2018/19 accounts on 29 March. She recognised the amount of work that had been done to complete the accounts, particularly in the areas of property, plant and equipment; data migration and the new financial management system. The Deputy Head of Finance stated that the Council acknowledged the recommendations made by the External Auditors and would be implementing improvements.

Minor amendment

It was noted that the figure for Housing Benefits 2018/19 should be “14,185” and not “14.185”.

Auditor fees

Janet Dawson explained that there had been insufficient time to finalise the fees included in the report as the focus had been to get the accounts signed off. She added that it would not be legal to agree a discount. Councillor Heather Williams stated that according to the minutes of the Committee a discount had been agreed in the past. The Committee **Agreed** that the auditor’s fees should be subject to a PSAA review.

The Committee **Noted** the report.

5. Matters of Topical Interest

Investments in Russia

Councillor Mark Howell reminded the Committee that he had asked at the previous meeting whether the Council had any investments in Russia. He requested that an answer be provided at the next meeting of the Committee on 28 July.

Message from the Chair

As this was his last meeting as Chair, Councillor Tony Mason thanked officers and auditors for their support during his last four years as Chair of the Committee.

6. Date of Next Meeting

Thursday 28 July at 10 am.

The Meeting ended at 11.15 a.m.



Report to:	Audit and Governance	28 th July 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock, Head of Finance	

COMPLETION OF THE AUDIT AND ACCOUNTS FOR 2019/20 AND FUTURE YEARS.

Executive Summary

1. Following completion of the 2018/19 audit of the accounts, reported to this committee in April 2022, work has progressed at pace on the 19/20 accounts.
2. The audit of the 2019/20 accounts began on 13th June 2022. Whilst the Statement of Accounts was not ready much of the supporting documentation and information was made available to the auditors and they have been able to make steady progress. The draft statement of accounts is attached as an appendix to this report for the Committee to review and comment on. The statement has already been issued to the auditors for them and any comments by this committee will obviously be shared with the auditors. It is expected that the audit will be complete by the end of October.
3. The report also gives the proposed timeline for getting the Accounts and audits up to date but the exact timings cannot be set in stone at this point, and this will become clearer as each audit is completed.

Recommendations

4. That Committee review the draft statement of accounts for 2019/20 and comment as appropriate.
5. That Committee note the 2019/20 accounts audit is ongoing, the expected timescales for completion of that audit and the proposed timetable for getting the remaining accounts and audits up to date.

Details

Statement of Accounts

6. The statement of accounts for 2019/20 is reproduced as an Appendix. A commentary on the key areas is included below to assist the Committee.
7. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure of the Council for 2019/20 and relates to both the General Fund and the Housing Revenue Account. The deficit of £1.189m for the year compared to a surplus of £4.468m in the prior year is primarily driven by an increase to General Fund Net Cost of Services. This however is not the overall picture for the General Fund as the Movement in Reserves Statement (MiRS) referred to below has to be taken into account also which gives an overall surplus of £0.318m.
8. The MiRS contains various accounting adjustments that need to be removed from the cost of services figures when ascertaining the amount that can be charged against the Council Tax. Examples include Depreciation and Asset impairments, Pension and Collection Fund adjustments. The statement also includes amounts appropriated to reserves and items that need to be charged against the Council Tax but do not form part of the CIES.
9. The Balance Sheet shows what the Council owns and what it owes. The largest figure, unsurprisingly, relates to Property Plant and Equipment which has increased in value by some £41m to £550m. The biggest element of this being the Council's Housing Stock. The valuation basis used for council dwellings is existing use for social housing, on the basis that the properties are occupied by council tenants.
10. A new line appearing in the Balance Sheet for the first time in 2019/20 is Investment Properties as during the year the Council purchased three such properties. The year end valuation of these properties was £24.6m.
11. Lending to the Council's wholly owned subsidiary Ermine Street housing is now primarily classed as long term. Their latest business plan, which has been approved by the Council, shows that repayments will not start until 2045.
12. The pensions liability has reduced from £70.548m to £57.352m. The valuation is based on a number of assumptions, such as future pensions and salary increases which have been reduced, life expectancy which has also been reduced and the return on plan assets which has increased. All of these factors act to reduce the liability. Having said that the liability will not crystallise any time soon as it is merely an estimate of the future liability at a point in time.
13. The cashflow statement shows the change in cash and cash equivalents. A cash equivalent being a financial instrument that can be readily turned into cash within a short period of time. The statement shows the type of cashflows and how we get from the surplus/deficit on provision of services to the cash and cash equivalent figures in the balance sheet.
14. The statements above are often referred to as the 'core' statements.

15. There are a number of notes in the statement which give more detail on items within the core statements, and these are prescribed by the accounting code.
16. There are other statements within the accounts that are not classed as core but nevertheless need to be provided where the activity concerned is carried out by the Council. These are the Housing Revenue Account (HRA) Income and expenditure statement and related notes and the Collection Fund and related notes.
17. The former is concerned with the income and expenditure related to the management and maintenance of HRA property in the Council's role as a social landlord the latter is concerned with the collection and distribution of the Council Tax and Business Rates in the Council's role as the billing authority.
18. Finally, because the council has two wholly owned subsidiaries, Group Accounts need to be produced to show the financial performance of the three entities after adjusting for transaction between the entities.

2019/20 audit of accounts

19. The audit of the 2019/20 accounts commenced on 13th June as planned and although the statement of accounts were not complete at the time much of the audit evidence had been collated to support the figures included in the trial balance so EY have been able to carry out much of the planned work and now have the draft statement of accounts to ensure the information that they are auditing is in line with the figures reported in the accounts.
20. The audit itself is likely to be ongoing until October though we cannot be certain when the audit will actually be completed as it is dependant on whether any issues are identified by the auditors.

2020/21 accounts preparation and audit

21. The intention is for the 2020/21 accounts to be prepared during the autumn with a view to the audit taking place in the final quarter of this financial year but as said earlier the exact timing of the audit cannot be set at this point. A dedicated resource has already started looking at the 2020/21 accounts and we should have a better idea of the timings by the time of the September Committee meeting.

2021/22 and later years

22. It is proposed that the 2021/22 and 2022/23 accounts completion and audit occur during the 2023/24 financial year; again this is dependant on how the earlier year's progress and availability of the auditor team but this should be achievable. It is expected as each year progresses the process in place can be streamlined and improved upon making better use of the finance system and the technology available to us beginning with 2020/21.

Options

23. The report asks the committee to review the draft accounts and provide comments as appropriate. It also gives the expected completion date for the audit and the proposed timeline for future years accounts. Another option would be to propose a different timeline but that could not be recommended.

Implications

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

Financial

25. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.

Legal

26. There is 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 31 July each year.

Risks/Opportunities

27. There is a risk that the financial statements are incorrectly stated with consequential impacts. The purpose of the external audit is to mitigate this risk. This is still a significant risk going forward but with dedicated experienced resources now tasked with dealing with auditor queries and accounts completion for both 2019/20 and 2020/21 the risk should be mitigated.

Alignment with Council Priority Areas

A modern and caring Council

28. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

Appendices

Appendix A Draft Statement of Accounts for 2019/20

Report Author:

Peter Maddock – Head of Finance
Telephone: (01954) 713072

This page is left blank intentionally.



South Cambridgeshire District Council

Draft Statement of Accounts 2019/20

Please note that figures are rounded to the nearest thousand (where applicable) throughout the 19/07/2022 V1.3 document and may not sum due to rounding

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

Contents

		Page
Narrative Report	by the Section 151 Officer	3/94
The Statement of Responsibilities	which explains the various responsibilities of the Council and the Section 151 Officer for the Statement of Accounts	9/94
The Auditor's Report	which sets out the Auditor's opinion on the Statement of Accounts	10/94
Comprehensive Income and Expenditure Statement (CIES)	which brings together income and expenditure relating to all of the Council's activities	12/94
Movement In Reserves Statement	which is a summary of the increase/decrease in the net worth and resources available to the Council	13/94
Balance Sheet	which sets out the financial position of the Council as at 31 March 2020	14/94
The Cash Flow Statement	which summarises the movements in assets, liabilities and capital which have taken place during the period and the resultant effect on cash and cash equivalents	15/94
The Notes to the Core Financial Statements	detailed notes to all the previous Statements	16/94
The Housing Revenue Account Income and Expenditure Statement	which shows income and expenditure on the provision of council housing	55/94
The Movement on Housing Revenue Account Statement	which shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	56/94
The Notes to the Housing Revenue Income and Expenditure Statements	detailed notes to the Housing Revenue Account Statements	57/94
The Collection Fund and Notes	which shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non Domestic Rates	61/94
Group Accounts	which shows the main statements and notes of the Group entity	64/94
Annual Governance Statement	which outlines the contents of the Local Code of Corporate Governance and the systems of internal control operating within the Council	71/94
Glossary of Financial Terms & Abbreviations		84/94

Further copies of this report are available from the Council's 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 159,100 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. It is at the centre of a number of important corridors of growth; London-Stansted-Cambridge, Norwich-Cambridge and Oxford-Cambridge. Cambourne is the largest settlement, with approximately 9,000 residents, and construction at Northstowe and Waterbeach has begun, both of which will become significant towns in the district.

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 Business Plan 2019-2024

The Business Plan 2019-2024 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 20 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:

Growing Local Businesses and Economies - We will support businesses of all sizes, including rural enterprise and farming, to help create new jobs and opportunities near to where people live.

Housing that is truly affordable for everyone to live in - We will build vibrant communities in locations where people have good access to facilities and good transport links, so they can genuinely afford to live a happy and healthy life.

Being Green to our Core - We will create a cleaner, greener and zero-carbon future for our communities.

A Modern and Caring Council - We will provide our customers with high-quality services, strive to reduce costs, build on what we are good at to generate our own income, and make decisions in a transparent, open and inclusive way.

The Plan runs for a rolling five-year period and is refreshed annually. Performance against the previous plan objectives was reported quarterly to the Scrutiny and Overview Committee and Cabinet, 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 2019/20, the breakdown of councillors by political group was as

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 the Scrutiny and Overview Committee which comprises of 14 members and met 12 times during the financial year.

The Council's Leadership Team is responsible for ensuring that the plans agreed by Council and Cabinet are delivered. At 31 March 2020, the Team consisted of the Chief Executive and Head of Paid Service (Liz Watts), supported by:

- Head of Finance, Section 151 Officer - Peter Maddock
- Director of Housing – Liz Bisset (interim)
- Director of Shared Planning (Joint with Cambridge City Council) – Stephen Kelly
- Head of Waste and Environment – Trevor Nicoll
- Head of HR and Corporate Services – Susan Gardner Craig

The Council's three statutory officers are as follows:

- Head of Paid Service - Liz Watts
- Head of Finance, Section 151 Officer - Peter Maddock
- Monitoring Officer – Rory McKenna

Further details about these arrangements, and how they operated during 2019/20, 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 2019. 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 2020 was set in February 2019, the surplus was estimated at £0.604m (Appropriation to General Fund Balance line). The actual was £0.319m a variance of £0.285m and the details of this are shown in the table below.

General Fund Summary

	Budget 2019/20 £'000	Actuals 2019/20 £'000	Variance 2019/20 £'000	Variance 2019/20 %
Net Expenditure				
Portfolio				
Corporate Services	6,004	7,639	1,635	27.2%
Health & Env. Services	7,247	10,628	3,381	46.7%
Housing (GF)	1,561	1,992	431	27.6%
Planning	5,247	5,526	279	5.3%
Gr. Cambs. City Deal	742	876	134	18.1%
Unallocated	130	-	(130)	-
Net Cost of Service	20,931	26,661	5,730	27.4%
Efficiency reserves and precautionary	125	-	(125)	-100.0%
Net Portfolio Exp.	21,056	26,661	5,605	26.6%
Income from Inv's	(2,004)	(2,870)	(866)	43.2%
Precepts, Levies & Contr's	5,820	6,086	266	4.6%
Cost of borrowing to fund capital spend (int. payable)	9	52	43	482.3%
Depr. Rev and Other Adjs	(887)	(793)	94	-10.6%
Pension Interest Costs	0	(2,040)	(2,040)	-
Net Operating Exp.	23,994	27,097	3,103	12.9%
Cont. to/(from) GF balance	604	318	(286)	-47.3%
Cont. to/(from) Other Res.	(390)	1,411	1,801	-461.8%
New Homes Bonus	(2,473)	(2,473)	0	0.0%
To be met from Grants and Local Tax	21,735	26,353	4,618	21.2%
Council Tax	(14,711)	(14,847)	(136)	0.9%
Bus. Rates (inc S31)	(6,811)	(11,333)	(4,522)	66.4%
Other Govt Grants	(213)	(173)	40	-18.8%
Taxation and Grants	(21,735)	(26,353)	(4,618)	21.2%

Housing Revenue Account

The Housing Revenue Account (HRA) summarises 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	£000
Dwelling Rents	(27,560)	(28,002)	(442)
Non-dwelling Rents	(403)	(422)	(19)
Service Charges	(1,603)	(1,917)	(314)
Other Income	(121)	(203)	(82)
Total Income	(29,687)	(30,543)	(856)
Repairs & Maintenance	4,151	4,211	60
Supervision & Management	6,938	6,722	(216)
Depreciation	6,663	6,545	(118)
Other Expenditure	472	335	(137)
Total Expenditure	18,224	17,812	(412)
	(11,463)	(12,731)	(1,268)
Interest Payable	7,179	7,185	6
Interest Receivable	(546)	(1,026)	(480)
Capital Expenditure from Revenue	12,622	12,374	(248)
	19,255	18,533	(722)
Deficit/(Surplus) for year	7,791	5,802	(1,990)

The table above shows the variances against the final 2019/20 budget for the HRA with an overall variance of £1.990m (under) reported.

* Dwelling Rents - An increase in the rental income for the year due to the budget still containing the assumption that we might need to hold void properties pending sale, to meet the high value voids levy proposed by central government. This policy has now been withdrawn.

* Interest Receivable - An increase in the interest received on cash balances due to the average interest rate achieved on investments being at 2.91% well above the 2% estimated.

* Supervision & Management - The charge to the HRA for Corporate Management was reassessed and resulted in a lower charge than previously and now better reflects the actual cost to the HRA.

Overall the outturn position was a draw on the HRA reserves of £5.802m against a budget that assumed a £7.791m contribution from reserves. HRA reserves stood at £4.214m at 31 March 2020.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £62.832m. The programme included £25.4m spent on investment property and £22.592m being invested through the HRA in the Council's own housing stock and new build initiatives.

Treasury Management

At 31 March 2020, investments (including those classed as cash equivalents) totalled £104.145m.

These investments produced interest of £2.87m, which was used towards the cost of services.

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

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £13.75m and £4.2m respectively as at 31 March 2020 (excluding earmarked reserves). This compares to the proposed minimum level of balances of £2.5m (General Fund) and £2.0m (Housing Revenue Account). These will be used to meet the cost of services in future years and to control any increases in council tax/rents.

Reserves available for capital expenditure stood at £12.5m, consisting of the usable capital receipts reserve and capital grants unapplied.

Current and Future Developments

Covid-19 Pandemic and Aftermath

The Covid-19 pandemic and its aftermath are outlined in terms of impact upon the Council as a "going concern" in Section 1.21 of Accounting Policies.

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 budgets 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 identified 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 Homelessness Reduction Act has significantly increased duties owed by the Council, this added to increased costs to meet statutory obligations meaning Homelessness budget pressures are a considerable risk now and in the 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.

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 2019/20 construction was completed on 36 new homes, with the new build programme continuing into 2020/21. No existing market homes were acquired in 2019/20 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 426 properties acquired for rental across Cambridgeshire, Suffolk, Northamptonshire, Leicestershire, Nottinghamshire and Leeds. Further additions are planned over the next year to achieve a portfolio of 500 owned properties. A full business case was reported to Council in the autumn of 2015. This has been updated annually since, with the latest being agreed in February 2020.

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 a partnership of local councils, including South Cambridgeshire, business and academia to deliver the City Deal (an agreement with Central Government). 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 (now part of the Cambridgeshire and Peterborough Combined Authority) 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 is planned to unlock hundreds of millions of pounds of new funding for the county, including £100 million for affordable homes. On 23rd May 2018 Councillor Bridget Smith was appointed Leader of the Council following the elections on May 3rd 2018, in succession to Councillor Topping who had previously represented the Council on the Combined Authority.

.....
Peter Maddock
Head of Finance, Section 151 Officer
Date;

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 Head of Finance (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 Atkins

Chairman of the Audit and Corporate Governance Committee

Head of Finance, Section 151 Officer's Responsibilities

The Head of Finance, Section 151 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 Section 151 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 Section 151 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.

The Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2020 and its income and expenditure for the year then ended.

.....
Peter Maddock

Head of Finance, Section 151 Officer

Auditor's 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 Section 151 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;

Ernst & Young LLP is a limited liability partnership registered in England and Wales
(with registered number OC300001)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Note	2019/20			2018/19		
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Continuing Operations							
Corporate Services		33,623	(25,984)	7,639	34,369	(29,143)	5,226
Health & Environment Services		19,730	(9,102)	10,628	15,343	(8,175)	7,168
Housing (General Fund)		4,565	(2,573)	1,992	3,724	(2,250)	1,474
Planning		10,764	(5,239)	5,526	8,654	(5,160)	3,494
Housing Revenue Account (HRA)		22,199	(30,766)	(8,568)	26,222	(30,097)	(3,875)
Greater Cambridgeshire City Deal		876	-	876	918	-	918
Net Cost of Services		91,758	(73,664)	18,094	89,229	(74,824)	14,405
Other Operating Expenditure and Income	9	6,560	(1,762)	4,798	6,339	(3,633)	2,706
Financing and Investment Income and Expenditure	10	8,965	(3,664)	5,301	8,769	(2,274)	6,494
Taxation and Non-Specific Grant Income	11	-	(27,004)	(27,004)	-	(28,073)	(28,073)
(Surplus) / Deficit on Provision of Services	6	107,283	(106,094)	1,189	104,337	(108,804)	(4,468)
(Surplus) / Deficit on Revaluation of Property Plant & Equipment	12/35			(30,396)			10,126
Actuarial (Gains) / Losses on Pension Assets / Liabilities	32			(17,555)			9,245
Total Comprehensive Income and Expenditure				(46,762)			14,904

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.

	Note	General Fund Balance £000	Ear-marked Reserves (Gen. Fund) £000	Housing Revenue Account £000	Ear-marked Reserves (HRA) £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Un-applied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Movements in 2018/19											
Balance as at 1 April 2018		(10,567)	(22,371)	(10,096)	(9,500)	-	(9,591)	(515)	(62,643)	(258,436)	(321,078)
(Surplus) / Deficit on Provision of Services	CIES/HRA	(3,061)	-	(1,406)	-	-	-	-	(4,468)	-	(4,468)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	19,371	19,371
Total Comprehensive Income and Expenditure		(3,061)	-	(1,406)	-	-	-	-	(4,468)	19,371	14,904
Adjustment Between Accounting and Funding Basis Under Regulations	7	(5,714)	-	1,490	-	-	(1,461)	(143)	(5,828)	5,829	0
Net (Increase) / Decrease before Transfer to Earmarked Reserves		(8,775)	-	84	-	-	(1,461)	(143)	(10,297)	25,200	14,904
Transfer to Earmarked Reserves	8	5,911	(5,911)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year		(2,864)	(5,911)	84	-	-	(1,461)	(143)	(10,297)	25,200	14,904
Balance as at 31 March 2019	B/S	(13,432)	(28,282)	(10,012)	(9,500)	-	(11,052)	(658)	(72,940)	(233,235)	(306,175)
Movements in 2019/20											
Balance as at 1 April 2019		(13,432)	(28,282)	(10,012)	(9,500)	-	(11,052)	(658)	(72,940)	(233,235)	(306,175)
(Surplus) / Deficit on Provision of Services	CIES/HRA	5,941	-	(4,752)	-	-	-	-	1,189	-	1,189
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	-	-	(47,951)	(47,951)
Total Comprehensive Income and Expenditure		5,941	-	(4,752)	-	-	-	-	1,189	(47,951)	(46,762)
Adjustment Between Accounting and Funding Basis Under Regulations	7	(7,670)	-	10,550	-	(807)	(779)	(20)	1,276	(1,276)	-
Net (Increase) / Decrease before Transfer to Earmarked Reserves		(1,729)	-	5,798	-	(807)	(779)	(20)	2,465	(49,227)	(46,762)
Transfer to Earmarked Reserves	8	1,411	(1,411)	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year		(318)	(1,411)	5,798	-	(807)	(779)	(20)	2,464	(49,227)	(46,762)
Balance as at 31 March 2020	B/S	(13,751)	(29,692)	(4,214)	(9,500)	(807)	(11,831)	(679)	(70,475)	(282,462)	(352,938)

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 2020		31 March 2019	
	Note	£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment	12a	549,765		508,795	
Investment Properties	12b	24,600		-	
Intangible Assets	36	535		482	
Long Term Investments	13	74,676		9,970	
Long Term Debtors	14	747		970	
Total Long Term Assets		650,323		520,217	
Current Assets					
Short Term Temporary Investments	13	10,108		81,473	
Inventories	-	292		163	
Debtors and Prepayments	16	6,055		10,191	
Cash & Cash Equivalents	17	19,360		7,250	
Assets Held for Sale	35	-		2,123	
		35,815		101,199	
Current Liabilities					
Short Term Creditors	18	(49,901)		(31,407)	
Revenue Grants- Receipts in Adv.	18	(2,400)		-	
Short Term Borrowing	15	(10,000)		(3,000)	
Cash & Cash Equivalents	17	(1,301)		(1,402)	
Provisions	19	(7,122)		(3,761)	
		(70,724)		(39,570)	
Long Term Liabilities					
Pensions Liability	32	(57,352)		(70,548)	
Long Term Loans	13	(205,123)		(205,123)	
		(262,475)		(275,671)	
Total Assets Less Liabilities		352,938		306,175	
Usable Reserves	MiRS	70,475		72,940	
Unusable Reserves	MiRS/ 20	282,462		233,235	
Total Reserves		352,938		306,175	

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	2019/20 £000	2018/19 £000
Net Surplus/(Deficit) on Provision of Services	CIES	(1,190)	4,468
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	49,696	26,183
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	12,105	(4,440)
Net cash flows from Operating Activities		60,612	26,211
Investing Activities	22	(29,866)	(24,725)
Financing Activities	23	(18,537)	(2,100)
Net Increase or (Decrease) in cash and cash equivalents		12,210	(614)
Cash and Cash Equivalents at the beginning of the reporting period	17	5,847	6,461
Cash and Cash equivalents at the end of the reporting period	17	18,059	5,847

Index of Notes to the Statement of Accounts

Note		Page
1	Accounting Policies	17 / 94
2	Accounting Standards that have been issued but not yet adopted	29 / 94
3	Critical judgements in applying Accounting Policies	29 / 94
4	Assumptions made about the future and Other Major Sources of estimation / uncertainty	29 / 94
5	Events after the Balance Sheet Date	30 / 94
6	Expenditure and Funding Analysis	31 / 94
7	Adj. between Accounting Basis and Funding Basis under Regs	32 / 94
8	Movements in Earmarked Reserves	33 / 94
9	Other Operating Expenditure	34 / 94
10	Financing and Investment Income and Expenditure	34 / 94
11	Taxation and Non-Specific Grant Income	34 / 94
12a	Property, Plant & Equipment	35 / 94
12b	Investment Properties	36 / 94
13	Investments and Borrowing	37 / 94
14	Long Term Debtors	37 / 94
15	Financial Instruments	38 / 94
16	Short term Debtors and Payments in Advance	39 / 94
17	Cash and Cash Equivalents	39 / 94
18	Short term Creditors and Receipts in Advance	40 / 94
19	Provisions	40 / 94
20	Unusable Reserves	41 / 94
21	Cashflow Statement - Operating Activities	44 / 94
22	Cashflow Statement - Investing Activities	45 / 94
23	Cashflow Statement - Financing Activities	45 / 94
24	Trading Operations	46 / 94
25	Member Allowances	46 / 94
26	Officer Remuneration	46 / 94
27	External Audit Fees	48 / 94
28	Grant & Contributions	48 / 94
29	Related Party Declarations	49 / 94
30	Capital Expenditure and Capital Financing	49 / 94
31	Leases	49 / 94
32	Pensions	49 / 94
33	Nature and Extent of Risks Arising from Financial Instruments	52 / 94
34	Capital Contracts	54 / 94
35	Assets Held for Sale	54 / 94
36	Intangible Assets	54 / 94
37	Contingencies	54 / 94
38	Exceptional items	54 / 94

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 (2019/20) and the Service Reporting Code of Practice (2019/20) 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.

The Covid-19 pandemic and its aftermath are outlined in terms of impact upon the Council as a "going concern" in Section 1.21 of Accounting Policies.

* 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. The Council has adopted a policy of a £5,000 de-minimis level on all manual accruals (debtors and creditors) from and including 2019/20.

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, support services and trading accounts 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 the MRP 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 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 (known as 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 Exceptional Items

Any material exceptional items are included within the cost of the relevant individual service or, if a degree of prominence is necessary in order to give a fair presentation of the accounts, separately identified on the face of the comprehensive income and expenditure account. Details of any such exceptional items are given in the explanatory notes. For further explanation please see note 38 on page 54.

1.7 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:

- for 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.
- for 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.

1.8 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 instruments

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.

1.9 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
- 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.

1.10 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.

1.11 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 benefiting 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 Leases

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.

1.12 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.

1.13 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.

1.14 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 two 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 or 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 (net of statutory deductions and allowances) is payable to Central Government and shown in the other operating expenditure section in the comprehensive income and expenditure.

1.15 Investment Property

Investment properties are those held solely to earn rental income or for capital appreciation or both. They are initially valued at cost but are not depreciated, they are revalued every year and held on the balance sheet at fair value. The income from rentals is posted to the Comprehensive Income and Expenditure Statement within the financing and investment income and expenditure line and is income to the general fund, also any revaluation gain or loss is posted to the same line but then reversed out via the Movement in Reserves Statement to the Capital Adjustment Account to avoid this charge being made against the general fund balance. The Council currently hold three such assets.

1.16 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 give 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.

1.17 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.

1.18 Revenue Expenditure Funded from Capital under Statute

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.

1.19 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.

1.20 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.

Private sector organisations adopted IFRS16- Leases on 1st April 2019 with retrospective application for 2018/19 as comparator. However, the formal adoption of this standard in the public sector has been delayed until 1st April 2021. As such there is a difference in accounting policies for both 2019/20 and 2018/19 as comparator between South Cambridge District Council (parent) and its subsidiaries (SC Ltd and Shire Home's). The Code mandates that where differing accounting policies exist within group boundaries that the parent's accounting policies must be applied to the subsidiaries and consolidated. However, the Code outlines that where these adjustments are consider immaterial, they can be over ridden. SCDC consider the IFRS16 implications included in 2019/20 SCLtd and Shire Homes statement of accounts immaterial to the group. It has therefore not amended 2018/19's group figures, so the 2018/19 comparator excludes all IFRS16 subsidiary changes. Whereas 2019/20's group figures includes IFRS16 figures from subsidiaries only.

The IFRS16 figures applicable to SCLtd and Shire Homes are outlined below by year and type. These are considered immaterial and accounted for in this document as specified above.

	2018/19		2019/20	
	SCLtd	Shire Homes	SCLtd	Shire Homes
	£000	£000	£000	£000
PPE	337	294	347	335
ST Creditors	(304)	(134)	(347)	(206)
LT Creditors	(291)	(204)	(205)	(206)

1.21 Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis.

The Covid-19 restrictions created significant issues for many businesses and residents and as a result from April 2020, Council income was initially affected detrimentally as payers sought to defer payments or were unable to pay at all. Things did improve during the second half of the financial year. The government provided support in a number of ways:-

- Financial support in the form of grant funding for additional costs incurred as a result of the pandemic and an income compensation scheme to provide some replacement funding for that lost due to the pandemic.
- Additional grants to fund specific new burdens that fell on the Council.
- Deferral of central government payments relating to the Business Rates central share.

Balances held by the Council

Date	General Fund	Housing	Earmarked
31/03/2020	11.9m	3.6m	40.7m
31/03/2021	15.1m	5.7m	39.5m

These balances remain above our minimum thresholds as set by our Head of Finance and Section 151 Officer.

An assessment of the impact of Covid-19 on our finances was carried out during 2020/21. Government funding of £2.45m was provided in 2020/21 and 2021/22 to fund additional costs incurred as a result and this has proved to be sufficient. Income losses were not as pronounced as originally feared and some compensation was provided to meet these losses in part, overall the loss was such that we have been able to manage this within our budgets. With the additional funding provided we are satisfied that there is no material uncertainty relating to going concern.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

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	2018-19 Inc. in Liability (£m)	2019-20 Inc. in Liability (£m)
<i>0.5% decrease in real discount rate</i>	18.49	16.15
<i>0.5% increase in salary increase rate</i>	2.41	1.42
<i>0.5% increase in pension increase rate</i>	15.79	14.61

Pensions Liability

The main item in the Council's balance sheet as at 31 March 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.

Investment Properties

The Council agreed an investment strategy during 2018/19 and the first three properties were purchased during 2019/20. The intention of the purchase is to benefit from the income stream generated to support service provision, as a result the properties meet the definition of an investment property. Rental income and changes in valuation fall within the heading financing and investment income and expenditure in the single entity Comprehensive Income and Expenditure Statement and the year end valuations in the single entity Balance Sheet and note 12b.

5. Events After Balance Sheet Date

The draft Statement of Accounts were authorised for issue by the S151 Officer (Peter Maddock) on 29 July 2022. 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 2020, 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 2020 to issue / certification date. There were no events within that period that would be relevant to an understanding of the authority's financial position.

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.

2018/19					2019/20				
Net Exp. Chargeable to General Fund & HRA Balances £000	Adjs between the funding & accounting basis Capital £000	Adjs between the funding & accounting basis Other £000	Net Expenditure in the Comp. Income & Expenditure Statement £000		Net Exp. Chargeable to General Fund & HRA Balances £000	Adjs between the funding & accounting basis Capital £000	Adjs between the funding & accounting basis Other £000	Net Expenditure in the Comp. Income & Expenditure Statement £000	
(5,041)	7,106	3,162	5,226	Corporate Services	(21,942)	25,813	3,768	7,639	
6,463	704	-	7,169	Health & Environment Services	9,856	772	-	10,628	
1,158	316	-	1,474	Housing (General Fund)	1	372	591	1,992	
3,493	0	-	3,495	Planning	5,525	-	-	5,526	
166	(4,502)	462	(3,875)	Housing Revenue Account (HRA)	6,005	(14,573)	-	(8,568)	
918	-	-	918	Greater Cambridgeshire City Deal	876	-	-	876	
7,156	3,626	3,624	14,406	Net Cost of Service	322	12,385	4,359	18,094	
(15,848)	(4,009)	985	(18,874)	Operating, Financing, Taxation and Grant Income & Expenditure	(17,307)	(2,378)	2,781	(16,905)	
(8,692)	(384)	4,609	(4,467)	CIES (Surplus) / Deficit on provision of services	(16,986)	10,007	7,140	1,189	
-	10,126	9,245	19,371	Other Income and Expenditure	-	(30,396)	(17,555)	(47,951)	
(8,692)	9,743	13,854	14,904	Total Comprehensive Income and Expenditure	(16,986)	(20,389)	(10,415)	(46,762)	

Expenditure & Income Analysed by Nature

2018/19 Total (Sur.) / Def. £000	Subjective Analysis	2019/20 GF, HRA & £000	2019/20 Charges to Non-GF Res. £000	2019/20 Total (Sur.) / Def. £000
	Expenditure			
26,329	* Employee Expenses (including Benefits)	20,832	2,631	23,463
46,851	* Other Service Expenses	70,124	(13,302)	56,822
0	* Support Service Recharges	-	-	-
16,048	* Depreciation, Amortisation and	(751)	12,224	11,473
7,193	Interest Payments	7,237	-	7,237
5,816	Precepts and Levies	6,086	-	6,086
1,576	Pen. Int. costs & expected return on assets	1,728	-	1,728
523	Payment to Housing Capital Receipts Pool	-	474	474
104,336	Total Expenditure	105,256	2,027	107,283
	Income			
(47,014)	* Fees, Charges and Other Service Income	(48,891)	-	(48,891)
(27,810)	* Government Grants/Contributions	(24,753)	(20)	(24,773)
(3,633)	Gain on the disposal of assets	132	(1,894)	(1,762)
0	Gain on the disposal of assets (Financing)	-	-	-
(6,955)	Government Grants/Contributions (Central)	(5,226)	(959)	(6,185)
(2,274)	Interest and Investment Income	(2,870)	-	(2,870)
-	Net income in relation to inv. prop. and changes in fair value	(794)	-	(794)
(14,173)	Income From Council Tax	(14,793)	(54)	(14,847)
(6,946)	Business Rates Income and Expenditure	(8,807)	2,835	(5,972)
(108,804)	Total Income	(106,002)	(92)	(106,094)
(4,468)	(Surplus)/Deficit on Provision of Services	(746)	1,935	1,189

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.

	Usable Reserves					Movement in Unusable Reserves
	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	
	£000	£000	£000	£000	£000	£000
2019/20						
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,430	5,092	-	(6,523)	-	-
Used to finance new Capital Expenditure	-	-	-	5,269	-	(5,269)
Contribution to finance the payments to the Government capital receipts pool	(474)	-	-	474	-	-
Adjustments Primarily Involving the Capital Grants Unapplied Account	20	-	-	-	(20)	-
Adjustments Involving the Capital Adjustment Account: Exclusions						
Charges for depreciation and impairment of non-current assets	(1,737)	(6,545)	-	-	-	8,282
Upward/(Downward) revaluation of non-current assets	-	(3,783)	-	-	-	3,783
Amortisation of intangible assets	(159)	-	-	-	-	159
Capital Grants and contributions applied	69	890	-	-	-	(959)
Revenue expenditure funded from Capital under statute	(723)	-	-	-	-	723
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,198)	(3,431)	-	-	-	4,629
Statutory provision for repayment of debt (MRP)	581	-	-	-	-	(581)
Capital expenditure charged against the General Fund and HRA balances	1,071	12,373	-	-	-	(13,445)
Adjustments Involving the Deferred Capital Receipts Reserve						
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	-	6,545	(6,545)	-	-	-
Use of the MRR to finance new capital exp	-	-	5,738	-	-	(5,738)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited/credited to the CIES	(3,768)	(591)	-	-	-	4,359
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	(2,781)	-	-	-	-	2,781
Adjustments Involving the Accumulated Absences Account						
Total Adjustments	(7,668)	10,551	(807)	(779)	(20)	(1,275)
2018/19						
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	1,195	5,445	-	(6,640)	-	-
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	(1,718)	(6,634)	-	-	-	8,353
Upward/(Downward) revaluation of non-current assets	(190)	(8,393)	-	-	-	8,583
Amortisation of intangible assets	(129)	-	-	-	-	129
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 the CIES	(402)	(2,550)	-	-	-	2,952
Statutory provision for repayment of debt (MRP)	87	-	-	-	-	(87)
Capital expenditure charged against the General Fund and HRA balances	(8)	6,693	-	-	-	(6,685)
Other	29	-	-	-	-	(29)
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to	5	-	-	-	-	(5)
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	-	6,634	(6,634)	-	-	-
Use of the MRR to finance new capital exp	-	-	6,634	-	-	(6,634)
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						
Total Adjustments	(5,715)	1,490	-	(1,461)	(143)	5,829

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 2018/19 and 2019/20 together with the aggregate balances for the General Fund including HRA.

	Balance 31 March 2018	Transfers In	Transfers Out	Balance 31 March 2019	Transfers In	Transfers Out	Balance 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Business Rates Growth	(6,230)	-	-	(6,230)	-	5,230	(1,000)
Infrastructure	(3,318)	-	-	(3,318)	(1,682)	-	(5,000)
Greater Cambridge City Deal	(3,095)	(922)	886	(3,131)	(3,336)	2,138	(4,330)
Renewables	(3,716)	(834)	75	(4,475)	(1,511)	1,248	(4,739)
Pensions	(637)	-	166	(471)	-	147	(324)
Vehicle Renewables	(1,148)	(758)	-	(1,906)	(1,578)	1,039	(2,445)
Accommodation	(281)	(50)	-	(331)	(277)	388	(221)
Transformation Reserves	(240)	(4,050)	264	(4,026)	-	123	(3,903)
Electoral Registration	(109)	-	-	(109)	(165)	217	(57)
Land Charges	(127)	(269)	-	(396)	-	56	(340)
Environmental	(329)	(83)	51	(361)	(101)	146	(317)
Planning	(2,587)	(64)	9	(2,642)	(2,228)	2,608	(2,262)
Other	(105)	(5)	69	(41)	(37)	45	(33)
Homelessness	(166)	(381)	95	(452)	(423)	257	(619)
Community Development	(114)	-	1	(113)	(144)	120	(137)
Housing	(171)	(123)	13	(281)	(18)	4	(295)
Property Investment	-	-	-	-	(3,548)	-	(3,548)
Covid-19	-	-	-	-	(36)	36	0
HomeLink	-	-	-	-	(387)	260	(127)
General Fund	(22,373)	(7,539)	1,628	(28,284)	(15,471)	14,060	(29,692)
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	(31,873)	(7,539)	1,628	(37,784)	(15,471)	14,060	(39,192)

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 encourage businesses to base themselves in the district.

Renewables - Balance to be used on renewable energy projects.

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

Transformation Reserve - Balance to be used to fund one off efficiency projects to deliver ongoing savings.

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

Property Investment - Balance to be used for repairs and renovation to existing investment properties.

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.

9. Other Operating Income and Expenditure

	31 March	
	2020	2019
	£000	£000
Parish Council Precepts	5,618	5,397
Internal Drainage Boards	197	193
Enterprise Zones	271	226
Payments to the Government Housing Pool	474	523
(Gains) / losses on the disposal of non-current assets	(1,762)	(3,633)
Total	4,798	2,706

10. Financing and Investment Income and Expenditure

	31 March	
	2020	2019
	£000	£000
Interest payable and similar charges	7,237	7,193
Pensions interest cost	1,728	1,576
Interest receivable and similar income	(2,870)	(2,274)
Inc. and exp. in relation to inv. prop. and changes in their fair value	(794)	-
Total	5,301	6,494

11. Taxation and Non Specific Grant Income and Expenditure

	31 March	
	2020	2019
	£000	£000
Council Tax Income	(14,847)	(14,173)
Non Domestic Rate Income	(5,972)	(6,946)
Non-ring fenced Government Grants (see note 28 for breakdown)	(5,226)	(6,110)
Capital Grants and Other Contributions (see note 28 for breakdown)	(959)	(844)
Total	(27,004)	(28,073)

12a. 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, 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 Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2019	468,337	26,692	10,114	1,379	6,210	1,168	513,899
Adjustments	5,732	(152)	-	-	(5,732)	1,564	1,412
Additions	6,923	385	813	-	16,323	53	24,496
Revaluation Cr.ed to Revaluation Reserve	24,765	4,104	-	-	-	(51)	28,818
Revaluation Applied to the CIES	(7,096)	(1,475)	-	-	-	13	(8,558)
Derecognition- Disposals	(2,912)	-	-	-	-	(1,173)	(4,085)
Gross Book Value 31 March 2020	495,749	29,553	10,926	1,379	16,801	1,573	555,982
Depreciation 01 April 2019	-	-	(5,028)	(77)	-	-	(5,104)
Depreciation in Year	(6,544)	(647)	(1,045)	(46)	-	-	(8,282)
Depreciation w/o to Revaluation Reserve	1,353	212	-	-	-	-	1,565
Depreciation written out to CIES	5,216	414	-	-	-	-	5,631
Derecognition- Disposals	(25)	-	-	-	-	-	(25)
Depreciation 31 March 2020	-	(21)	(6,073)	(122)	-	-	(6,217)
Net Book Value 31 March 2020	495,749	29,532	4,853	1,257	16,801	1,573	549,765

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Assets Under Construction	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
Adjustments	4,625	(4,503)	(356)	(94)	4	-	(324)
Reclassification (to)/from Assets Held for Sale	-	-	-	-	(997)	-	(997)
Additions	8,344	298	1,333	-	7,291	45	17,312
Revaluation Cr.ed to Revaluation Reserve	(15,978)	3,348	-	-	-	959	(11,671)
Revaluation Applied to the CIES	(13,858)	(394)	-	-	-	16	(14,236)
Derecognition- Disposals	(2,437)	-	-	-	-	(5)	(2,442)
Asset reclassification (to)/from Assets under construction	7,801	-	-	-	(7,801)	-	-
Gross Book Value 31 March 2019	468,337	26,691	10,114	1,379	6,210	1,168	513,898
Depreciation 01 April 2018	(79)	(328)	(4,287)	(125)	-	-	(4,819)
Adjustments	79	328	356	94	-	-	857
Depreciation in Year	(6,672)	(538)	(1,097)	(46)	-	-	(8,353)
Depreciation w/o to Revaluation Reserve	1,546	120	-	-	-	-	1,666
Depreciation written out to CIES	5,235	418	-	-	-	-	5,653
Derecognition- Disposals	(109)	-	-	-	-	-	(109)
Depreciation 31 March 2019	-	-	(5,028)	(77)	-	-	(5,105)
Net Book Value 31 March 2019	468,337	26,691	5,086	1,302	6,210	1,168	508,795

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Const-ruktion £000	Surplus Assets £000	Total £000
Carried Historical Cost	-	-	10,926	-	-	-	10,926
Valued at Current Value as from: 31st March 2020	495,749	29,553	-	1,379	16,801	1,573	545,055
Total Cost or Valuation	495,749	29,553	10,926	1,379	16,801	1,573	555,982

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 2020, 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 Housing Revenue Account, by Mr Paul Gedge, MRICS, District Valuer, East of England
- 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 1.14.

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 2020. 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.

12b. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	31 March	
	2020 £000	2019 £000
Rental income from investment property	(850)	-
Direct operating expenses arising from investment property	57	-
Net (gain)/loss	(794)	-

There are no restrictions on the authority's ability to realise the value inherent in its investment property or on the authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	31 March	
	2020 £000	2019 £000
Properties categorised within Level 2 (office/commercial units)		
Balance at the start of the year	-	-
Additions:		
Purchases	25,400	-
Net gains/losses from fair value adjustments	(800)	-
Balance at the end of the year	24,600	-

All investment properties have been valued based on level 2 (office/commercial units) observable inputs for the asset either directly or indirectly using a market approach and that their current use is their highest and best use. The updated valuations were carried out as at 29 February 2020 by Paul Gedge MRCIS Senior Surveyor DVS East.

The office and commercial units located in the local authority area are measured using the market approach, it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The authority's office and commercial units are therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements. 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.

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

13. Investments 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	
		2020 short term £000	2019 Total £000
	2020 long term £000	2020 Total £000	2019 Total £000
Local Authorities		9,504	4,524
South Cambs Limited		72,180	59,455
Clearing Banks		5,046	14,180
Banks (other)		-	4,027
Money Market Funds		9,863	7,179
Building Societies with assets: >£10 billion		-	3,016
Housing Association		5,055	5,047
Other		2,496	1,263
		104,145	98,693
Less: cash and cash equivalents		(19,360)	(7,250)
Total		84,785	91,443
Principal Investment analysed by maturity			
2019/20	-	-	80,438
2020/21	10,000	-	9,970
2021/22	-	74,044	-
Accrued Interest	108	632	1,035
	10,108	74,676	91,443

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	
		2020 £000	2019 £000
Repayable within 25 years		(85,000)	(75,000)
Repayable within 30 years		(50,000)	(50,000)
Repayable within 35 years		(50,000)	(50,000)
Repayable within 40 years		(20,123)	(30,123)
Net Carrying Amount at end of the year		(205,123)	(205,123)

14. Long Term Debtors

		31 March	
		2020 £000	2019 £000
Webbs Hole Sluice		418	640
Long Term Loans (given before 2012/13)		329	330
Net Carrying Amount at end of the year		747	970

15. Financial Instruments

Categories of Financial Instruments

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

Financial assets

	Non-current				Current					
	Investments		Debtors		Investments		Debtors		Total	Total
	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000
Amortised cost	74,676	9,970	747	970	10,108	81,473	2112	2592	87,644	95,005
Total financial assets	74,676	9,970	747	970	10,108	81,473	2,112	2,592	87,644	95,005
Non-financial assets	-	-	-	-	-	-	3943	7599	3,943	7,599
Total	74,676	9,970	747	970	10,108	81,473	6,055	10,191	91,587	102,604

Financial liabilities

	Non-current				Current					
	Borrowings		Creditors		Borrowings		Creditors		Total	Total
	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000	31-Mar 2020 £000	31-Mar 2019 £000
Amortised cost	(205,123)	(205,123)	-	-	(10,000)	(3,000)	(30,204)	(11,834)	(245,327)	(219,957)
Total financial liabilities	(205,123)	(205,123)	-	-	(10,000)	(3,000)	(30,204)	(11,834)	(245,327)	(219,957)
Non-financial liabilities	-	-	-	-	-	-	(19,697)	(19,573)	(19,697)	(19,573)
Total	(205,123)	(205,123)	-	-	(10,000)	(3,000)	(49,901)	(31,407)	(265,024)	(239,530)

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 as this is the same as its carrying value.

Estimated ranges of interest rates at 31 March 2020 of 0.545% to 0.73% (1.35% to 1.48% at 31 March 2019) 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:

- Level 1 inputs- quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 inputs- inputs other than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly
- Level 3 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 (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

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

	31 March 2020		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long term borrowing	(205,123)	(349,105)	(205,123)	(303,063)
Total Financial Liabilities	(205,123)	(349,105)	(205,123)	(303,063)

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			
	2020 Core £000	2020 Coll. Fund £000	2020 Total £000	2019 Total £000
Central Government Bodies	2,225	-	2,225	5,492
Local Authorities	1,887	-	1,887	2,089
NHS	46	-	46	139
Other Entities and Individuals	4,343	495	4,838	4,829
Payments in Advance	86	-	86	71
Total debtors and payments in advance	8,587	495	9,082	12,620
Less: Provision for Bad Debts / Impairment				
Council Tax Arrears- Council share	-	(59)	(59)	(42)
NDR Arrears- Council share	-	(156)	(156)	(79)
Housing (HRA)	(568)	-	(568)	(454)
Sundry Debtors (customer debt)	(2,244)	-	(2,244)	(1,854)
Total provisions for bad debts / impairments	(2,811)	(216)	(3,027)	(2,429)
Total net figure	5,776	279	6,055	10,191

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	
	2020 £000	2019 £000
Short-term Deposits with Money Market Funds	19,360	7,250
Bank Overdrafts	(1,301)	(1,402)
Total Cash and Cash Equivalents	18,059	5,848

18. Short Term Creditors and Revenue Grants Receipts in Advance

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

Creditors	31 March			
	2020 Core £000	2020 Coll. Fund £000	2020 Total £000	2019 Total £000
Central Government Bodies	(8,024)	(5,440)	(13,464)	(12,912)
Local Authorities	(3,667)	(2,567)	(6,234)	(6,612)
NHS	-	-	-	(49)
Other Entities & Individuals (inc S106, see next table)	(28,107)	-	(28,107)	(10,404)
Receipts in Advance	(1,268)	(829)	(2,097)	(1,430)
Total creditors and receipts in advance	(41,065)	(8,836)	(49,901)	(31,407)

Revenue grants- Receipts in Advance	31 March	
	2020 £000	2019 £000
Section 31 Business rates	(2,400)	-
Total Revenue Grants - Receipts in Advance	(2,400)	-

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:

Capital	31 March	
	2020 £000	2019 £000
Commuted sums	(19,019)	(2,755)
Partnership works on awarded watercourses	-	-
Drainage	-	-
Community Transport Initiative	(472)	(259)
Affordable Housing s106	(3,158)	(3,708)
	(22,649)	(6,723)
Revenue		
	2020 £000	2019 £000
Sustainability s106 Orchard park	(54)	(54)
Public art s106 Orchard Park	(50)	(50)
Community development s106	(72)	(139)
Electoral arrangements	(30)	(7)
Waste Management	(172)	(80)
	(378)	(330)
Total Developer (S106) Contributions	(23,027)	(7,053)

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 the appeals liabilities of £4.479m has been recognised in the 2019/20 accounts (£3.503m in 2018/19), and the in-year movement is shown in Note 33 and Note 38.

	Business Rates Appeals Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2019	3,503	257	3,760
Additional provisions made in 2019/20	4,573	2,386	6,959
Amounts used in 2019/20	(3,597)	-	(3,597)
Unused amounts reversed in 2019/20	-	-	-
Balance as at 31 March 2020	4,479	2,643	7,122

20. Unusable Reserves

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

	31 March	
	2020 £000	2019 £000
Revaluation Reserve	125,372	98,051
Capital Adjustment Account	215,093	203,604
Pension Reserve	(57,352)	(70,548)
Deferred Capital Receipts Reserve	88	88
Collection Fund Adjustment Account	(482)	2,299
Accumulated Absences Account	(257)	(257)
Total Unusable Reserves	282,462	233,235

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	
	2020 £000	2019 £000
Balance as at 01 April	98,053	110,624
Net reval. of assets not charged to surplus/deficit on provision of	30,395	(10,003)
Depreciation Adjustment	(1,529)	(1,666)
Disposals / Reinstatements	(1,547)	(901)
Balance as at 31 March	125,372	98,053

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	
	2020 £000	2019 £000
Balance as at 01 April	203,604	202,381
Capital expenditure financed from;		
Capital receipts reserve	5,269	4,653
Capital exp. charged against GF and HRA balances	13,444	6,685
Other capital grants & contributions	959	778
Major repairs allowances / reserve	5,738	6,634
Internal financing (Minimum Revenue Provision)	581	87
Write out of revaluation gain on disposal from Revaluation Reserve	1,547	901
Disposal of assets	(4,629)	(2,952)
Revaluation impairment through CIES	(5,261)	(8,583)
Depreciation, amortisation and impairment	(8,441)	(8,481)
Depreciation, amortisation and impairment w/o from Reval. Res.	1,529	1,666
Reversal of impairment on revaluation	2,325	-
Movement in value - Investment properties	(800)	-
Write out of revenue exp. funded from capital under statute	(723)	(76)
Other	(47)	(92)
Balance as at 31 March	215,094	203,604

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	
	2020 £000	2019 £000
Balance as at 01 April	(70,548)	(57,679)
Remeasurements of the net defined liability / (asset)	17,555	(9,245)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,692)	(7,818)
Employers pensions contributions and direct payments to pensioners payable in the year	4,333	4,194
Balance as at 31 March	(57,352)	(70,548)

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	
	2020 £000	2019 £000
Balance as at 01 April	88	83
Movement in year	-	5
Balance as at 31 March	88	88

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 its inclusion within this Reserve.

See Collection Fund Accounts for further details

	31 March	
	2020 £000	2019 £000
Balance as at 01 April	2,299	3,284
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	(2,835)	(1,045)
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statutory requirements	54	60
Balance as at 31 March	(482)	2,299

Accumulated Absence Reserve

The Accumulating Compensated Absence 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.

	31 March	
	2020 £000	2019 £000
Balance as at 01 April	257	257
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	
	2020 £000	2019 £000
Depreciation	8,441	8,481
Impairment and upward revaluations	3,741	8,574
Increase / (decrease) in creditors	20,894	(411)
Increase / (decrease) in provisions	3,361	664
(Increase) / decrease in debtors	4,359	2,358
(Increase) / decrease in inventories	(129)	(16)
Pension Liability	4,359	3,624
Carrying amount of Non-Current Assets sold	4,669	2,906
Total	49,696	26,183

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

	31 March	
	2020 £000	2019 £000
Creditors relating to Section 106 etc.	15,973	1,816
Creditors relating to Collection Fund Agencies	2,563	283
Proceeds from the sale of property and equipment, investment property and intangible assets	(6,431)	(6,539)
Total	12,105	(4,440)

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

	31 March	
	2020 £000	2019 £000
Interest Received	2,870	2,274
Interest Charge for the Year	(7,237)	(7,193)
Total	(4,367)	(4,918)

22. Cash Flow Statement- Investing Activities

	31 March	
	2020 £000	2019 £000
Purchase of Property, Plant & Equipment, Investing Property	(49,955)	(17,479)
Purchase of Short-term and Long-term Investments	6,658	(16,785)
Purchase of Short-term and Long-term Borrowing	7,000	3,000
Proceeds from Sale of Property, Plant & Equipment, Investment	6,431	6,539
Total	(29,866)	(24,725)

23. Cash Flow Statement- Financing Activities

	31 March	
	2020 £000	2019 £000
Creditors relating to Section 106 etc.	(15,973)	(1,816)
Creditors relating to Collection Fund Agencies	(2,563)	(283)
Total	(18,537)	(2,100)

24. Trading Operations

There were no trading operations at the Council in 2019/20 or prior.

25. Members Allowance

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	
		2020 £	2019 £
Allowances		322,683	305,807
Expenses		25,808	27,988
Total Member Allowances		348,491	333,795

26. Officer Remuneration

Senior Officer Remuneration:

2019/20					
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Chief Executive (began 23rd Sep'19)	71,952	-	11,535	-	83,487
Interim Executive Dir. (Corporate Services) #5	40,560	-	5,909	-	46,469
Director of Health & Env. Services (ended 7th Feb 2020) #2 #4 #6	122,172	-	20,037	99,051	241,260
Head of Waste & Environment (began 1st Mar 2020) #6	6,446	-	1,096	-	7,542
Interim Head of Housing, prev Dir. of Housing (began Jan 2020)	21,900	-	-	-	21,900
Dir. of Planning & Eco. Dev. #3	108,275	-	18,407	-	126,682
Head of Finance & Section 151 Officer (began 15th April 2019) #5	71,276	-	12,117	-	83,393
Head of Human Resources & Corporate Services #5	85,062	-	13,967	-	99,029
Total	527,643	-	83,068	99,051	709,762

	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 Mar'19 until permanent appointment in Sep'19, 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, until officer left Feb'20

#5- New senior 'Leadership Team' structure introduced in 2019/20, Executive Director (Corporate Services) post deleted and four Head of Service posts added.

#6- Director of Health & Environmental Services post superseded by Director of Waste & Environment post from 1st March 2020.

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

	31 March	
	2020 No of Employees	2019 No of Employees
Remuneration Band		
£50,000 - £54,999	6	8
£55,000 - £59,999	4	6
£60,000 - £64,999	5	3
£65,000 - £69,999	2	1
£70,000 - £74,999	0	0
Total	17	18

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 2019/20 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.

	2019/20			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £000
Exit Package Cost Band (inc. special payments)				
£0 - £20,000	1	1	2	10
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£80,001 - £100,000	-	1	1	99
£200,001 - £220,000	-	-	-	-
Total Cost Included in Bandings and in the CIES	1	2	3	109

	2018/19			
	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 (inc. special payments)				
£0 - £20,000	2	1	3	23
£20,001 - £40,000	-	1	1	30
£40,001 - £60,000	-	1	1	44
£60,001 - £80,000	-	-	-	-
£200,001 - £220,000	-	1	1	202
Total Cost Included in Bandings and in the CIES	2	4	6	300

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	
	2020 £000	2019 £000
External Audit Services 2019/20 - EY LLP	70	-
Certification of Grant Claims & Returns 2019/20 - EY LLP	15	-
Housing pooling capital receipts 2019/20 - Ensors	4	-
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
Total External Audit Fees	89	222

28. Grants and Contributions

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

	31 March	
	2020 £000	2019 £000
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	(2,473)	(3,010)
Other non-ringfenced government grants	(173)	(605)
Business Rates	(2,580)	(2,496)
Capital Grants and Contributions	(959)	(844)
Total Grants and Contributions	(6,185)	(6,955)

	31 March	
	2020 £000	2019 £000
Credited to Services		
Department for Work and Pensions (DWP)- Housing Benefit	(22,900)	(25,644)
Cabinet Office (CO)- Electoral Registration	(19)	(20)
Ministry for Hou, Comm. and Local Government (MHCLG)	(235)	(311)
Other Government Grants	(490)	(1,193)
Private Sector Grants- s106 Grants	-	(5)
Contributions from local authorities- Improvement Grants (capital)	(664)	(636)
Total Grants and Contributions	(24,307)	(27,810)

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. The Council holds a Register of Interests in which all members are required to declare any interests in accordance with the code of conduct which is open to the public.

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 Council's group accounts (see Note G3).

Ermine Street Housing

One employee (M Hill) and two members (Councillors I Sollom and J Batchelor) are Directors of Ermine Street Housing. M Hill resigned in February 2020 replaced by L Bisset (the Council's interim Director of Housing).

Shire Homes Limited

One officer (H Wood) and one member (Councillor P Fane) of the Council are the company directors.

Central Government

Central Government is responsible for providing the statutory framework within which the Council operates and provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties, for example Council Tax bills, housing benefits.

In 2019/20, there were no reported material related party transactions that are not disclosed elsewhere in the accounts.

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			
	2020 HRA £000	2020 GF £000	2020 TOTAL £000	2019 TOTAL £000
Opening Capital Financing Requirement	204,429	64,242	268,671	246,851
Capital Investment				
Loan to South Cambs Ltd *	-	12,725	12,725	23,147
Intangible Assets	-	211	211	117
Non-current	22,592	27,304	49,896	17,318
Rev. Expenditure Funded from Capital Under Statute	-	723	723	76
Sources of Finance				
Capital receipts and contributions	(3,850)	(1,866)	(5,716)	(4,653)
Revenue	(12,113)	-	(12,113)	(6,685)
Grants and Reserves	(890)	(69)	(959)	(778)
Major repairs reserve	(5,738)	-	(5,738)	(6,634)
MRP from Capital Adjustment Account	-	(581)	(581)	(87)
Closing Capital Financing Requirement	204,429	102,690	307,119	268,671

* 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 2019/20 or prior.

There were no payments in respect of vehicle contract hire were made in 2019/20 (£84,719 in 2018/19), this is a continuation in policy away from hire towards out right ownership.

There were no Minimum Lease Payments to report in 2019/20 and 2018/19

Following a full review of the Council's related agreements there are no embedded leases to report for 2019/20 (£0k in 2018/19)

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	
	2020 £000	2019 £000
Service Cost	6,964	6,242
Net Interest Charged	1,728	1,576
Net Charge made to the CIES	8,692	7,818
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	2,280	(4,080)
Changes in Financial Assumptions	(15,584)	13,325
Change in Demographic Assumptions	(4,251)	-
Re-Measurement of the Net Assets /	(17,555)	9,245
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	167,796	179,602
Present Value of the Unfunded Obligation	1,706	2,035
Fair Value of Scheme Assets	(112,150)	(111,089)
Net Liability in the Balance Sheet	57,352	70,548

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		Funded Liabilities Local Govt Pension Scheme	
	2020 £000	2019 £000	2020 £000	2019 £000
Net pensions liability at 1 April	(2,035)	(2,110)	(181,637)	(161,241)
Interest Cost	(41)	(41)	(4,406)	(4,380)
Change in Demographic Assumptions	55	-	4,251	-
Change in Financial Assumptions	203	-	15,584	(13,325)
Change in Other Assumptions	-	-	(148)	53
Current Service Cost	-	-	(6,964)	(5,700)
Past Service Cost Including Curtailments	-	-	-	(542)
Contributions by Scheme Participants	-	-	(1,014)	(954)
Estimated Benefits Paid	112	116	4,832	4,452
Net Pension Liability at 31 March	(1,706)	(2,035)	(169,502)	(181,637)

Reconciliation of the fair value of the Scheme Assets

	31 March	
	2020 £000	2019 £000
Fair Value of the Plan Assets at 1 April	111,089	103,562
Interest on Assets	2,678	2,804
Return on Assets less Interest	(2,132)	4,027
Employer Contributions including Unfunded	4,333	4,194
Contributions by Scheme Participants	1,014	954
Benefits Paid	(4,720)	(4,336)
Contribution in respect of unfunded benefits	(112)	(116)
Fair Value of the Plan Assets at 31 March	112,150	111,089

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 Employer contributions for the period to 31 March 2021 are £4,221,000 (£4,078,000 2019/20).

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 Hymans 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 2016.

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

2020 £000	2019 £000
22.0	22.4
24.0	24.4
22.7	24.0
25.5	26.3
2.4%	2.8%
1.9%	2.5%
2.3%	2.4%

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.

	2019/20			2018/19		
	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	1,692	-	1,692	1,376	-	1,376
<i>Equity inst: by industry type</i>						
Consumer	-	-	-	3,356	-	3,356
Manufacturing	-	-	-	1,999	-	1,999
Energy and Utilities	-	-	-	2,333	-	2,333
Financial Institutions	-	-	-	4,176	-	4,176
Health and Care	-	-	-	672	-	672
Info. Technology	-	-	-	591	-	591
Sub-total equity	-	-	-	13,128	-	13,128
<i>Debt Securities: by sector</i>						
UK Government	-	5,806	5,806	-	2,756	2,756
Other	-	-	-	-	-	-
Sub-total bonds	-	5,806	5,806	-	2,756	2,756
<i>Property: by type</i>						
UK Property	-	8,392	8,392	-	-	-
Overseas Property	-	2	2	-	-	-
Sub-total property	-	8,393	8,393	-	-	-
<i>Private Equity:</i>						
All (UK & Overseas)	-	9,199	9,199	-	8,411	8,411
Sub-total private equity	-	9,199	9,199	-	8,411	8,411
<i>Inv. Funds and Unit Trusts</i>						
Equities	-	67,978	67,978	-	62,231	62,231
Bonds	-	7,606	7,606	-	10,323	10,323
Infrastructure	-	10,112	10,112	-	4,624	4,624
Other	-	-	-	-	8,241	8,241
Sub-total other inv. funds	-	85,696	85,696	-	85,419	85,419
<i>Derivatives:</i>						
Other	-	1,364	1,364	-	-	-
Sub-total derivatives	-	1,364	1,364	-	-	-
Total	1,692	110,458	112,150	14,503	96,586	111,089

Fair value of scheme assets	31 March	
	2020 %	2019 %
Equity Instruments	0.0%	11.8%
Debt Securities	5.2%	2.5%
Property	7.5%	0.0%
Private Equity	8.2%	7.6%
Investment Funds and Unit Trusts	76.4%	76.9%
Derivatives	1.2%	0.0%
Cash and cash equivalents	1.5%	1.2%
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 2020

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	%
Adjustment to Discount Rate			
Present Value of Total Obligation	16,147	169,502	10%
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	1,418	169,502	1%
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	14,606	169,502	8%

Sensitivity Analysis as at 31 March 2019

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	%
Adjustment to Discount Rate			
Present Value of Total Obligation	18,486	181,637	10%
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	2,407	181,637	1%
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	15,791	181,637	9%

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 2020 (£329k in 2018/19). 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 uppermost 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:

	2020		
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(3,503)	(1,866)	(617)
Adjustment	-	(124)	105
Additional provisions	(4,573)	(129)	(539)
Amounts used	3,597	253	434
Balance at 31st March	(4,479)	(1,866)	(617)

	2019		
	Business Rates Appeals £000	Customer Debt £000	Other Debtors £000
Balance at 1st April	(2,839)	(1,963)	(855)
Adjustment	0	(27)	343
Additional provisions	(853)	(129)	(539)
Amounts used	189	253	434
Balance at 31st March	(3,503)	(1,866)	(617)

The Council does not normally extend credit beyond 21 days. At 31 March 2020, of the total debtor balance of £1.090m (£1.0m at 31 March 2019), this can be analysed as follows:

	31 March	
	2020 £000	2019 £000
Customer Debts:		
Over 21 days but less than 3 months	226	490
More than 3 months	864	510
Balance at 31st March	1,090	1,000

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 summarises the nominal value of the Council's investment portfolio at 31 March 2020, 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 2020						
	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
Banks UK	YES	1,000	2,000	2,000	-	-
South Cambs Ltd	YES	-	-	-	-	71,644
Housing Assoc	YES	-	3,500	1,500	-	-
Local Authorities	YES	9,500	-	-	-	-
CLIC	YES	-	-	-	-	2,400
Money Market Funds	YES	9,860	-	-	-	-
Total		20,360	5,500	3,500	-	74,044

CLIC- Cambridge Leisure and Ice Centre

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
Banks UK	YES	-	-	-	18,075	-
Building Societies	YES	-	2,000	-	1,000	-
South Cambs Ltd	YES	-	-	-	-	58,653
Housing Assoc	YES	-	1,000	4,000	-	-
Local Authorities	YES	-	-	4,500	-	-
CLIC	YES	-	-	-	-	1,255
Money Market Funds	YES	7,175	-	-	-	-
Total		7,175	3,000	8,500	19,075	59,908

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 2020 were £16.977 million on Housing (£9.047m as at 31st March 2019).

The significant increase year on year is due to additional new build sites, including some large schemes; Babraham Road (Sawston) and Bennell Farm (Toft) and Hardwick.

35. Assets Held for Sale

	2020 £000	2019 £000
Cost or valuation		
At 1 April	2,123	2,076
Adjustments	-	(356)
Revaluation increases / (decreases) recognised in the CIES	-	(112)
Derecognition - Disposals	(559)	(534)
Other movements / reclassifications within assets	(1,564)	1,048
At 31 March	-	2,123

36. INTANGIBLE ASSETS

	2020 £000	2019 £000
At 1 April	482	494
Additions- Purchase only	211	117
Depreciation	(159)	(129)
At 31 March	535	482

37. Contingencies

There were no material contingent assets to report for the Council as at 31 March 2020. The only material contingent liability to report for the Council as at 31 March 2020 is the ongoing implications of the Covid-19 pandemic.

38. Exceptional items

Provisions totalling £2.386m are provided in relation to Northstowe Phase 1 and 2.

The sum of £2.386million is made up of two items, the first relates to Phase 1. It is related to the council's element of the shortfall on the related signed S106 agreement. There is also a shortfall on the S106 agreement relating to Phase 2 which was estimated at £1.5m but is subject to indexation calculated as 110.8 meaning the value is now £1.66m. The amounts form part of the Housing General Fund under Net Cost of Services.

Housing Revenue Account Income and Expenditure

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	2019/20 £000	2018/19 £000
Income			
Dwelling Rents	H3	(28,002)	(28,082)
Non Dwelling Rents		(422)	(425)
Charges for Services and Facilities		(1,917)	(1,941)
Revaluation Gains of non-current assets		(2,325)	-
Contributions towards expenditure:			
* General Fund		(83)	(83)
* Other Sources		(120)	(2)
Total Income		(32,868)	(30,532)
Expenditure			
Repairs and Maintenance		4,211	3,950
Supervision and Management:			
* General		2,682	2,583
* Repairs and Maintenance		1,851	1,365
* Special Services		1,756	1,763
Rents, Rates and Other Charges		198	170
Depreciation and Amortisation:			
* Depreciation	H8/9	6,545	6,634
* Revaluation		6,133	8,393
Treasury Management Costs		24	8
Inc./(Dec.) Provision for Bad/Doubtful Debts		113	104
Total Expenditure		23,512	24,970
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		(9,357)	(5,562)
HRA services share of Corporate Expenses		790	1,170
Net Cost / (Income) of HRA Services		(8,568)	(4,391)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(8,568)	(4,391)
Loss/(Gain) on Sale of HRA Non-Current Assets	H10	(1,687)	(2,898)
Interest Payable and similar charges		7,185	7,193
Interest and Investment Income		(1,026)	(760)
Pensions Interest / Return on Assets		234	201
Capital Grants and Contributions	H10	(890)	(751)
(Surplus) / Deficit for the Year on HRA Services		(4,752)	(1,406)

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	2019/20 £000	2018/19 £000
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(4,752)	(1,406)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	H10	10,552	1,490
Transfers to/from Earmarked Reserves	H10	-	-
(Increase) / decrease in the Housing Revenue Account Balance		5,798	84
Housing Revenue Account Surplus Brought Forward		(10,012)	(10,096)
Housing Revenue Account Surplus Carried Forward		(4,214)	(10,012)

H1. Housing Stock Volumes

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

	2019/20				2018/19
	Conv- ersion	Additions	Disposals	Total	Total
1 Bedroom	0	12	(4)	1,065	1,057
2 Bedroom	0	22	(7)	2,354	2,338
3 Bedroom	0	4	(14)	1,847	1,857
4+ Bedroom	0	0	(3)	69	72
	0	38	(27)	5,335	5,324

	31 March	
	2020	2019
Stock (Whole Property Equivalent) as at 1 April	5,324	5,306
Less: Sales (Right to Buy)	(19)	(15)
Stock Transfers /	0	0
Other Movements *	(8)	(8)
New Properties #	38	40
Stock as at 31 March	5,335	5,324
Number: Houses and Bungalows	5,089	5,090
Flats and Maisonettes	246	234
Other	0	0
Stock as at 31 March	5,335	5,324

* Other Movements include; equity share and shared ownership sales, demolitions and non-RTB sales

New Properties include; New Builds and equity share and shared ownership acquisitions

H2. Housing Stock Values

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

	31 Mar 2020		31 Mar 2019	
	Asset Value £000	Depreciation £000	Asset Value £000	Depreciation £000
Council Dwellings (HRA only)	490,727	6,424	460,288	(6,655)
Depreciation adj. on revaluation	0	(6,424)	0	6,655
Other Land & Buildings	26,094	(107)	36,117	(307)
Depreciation adj. on revaluation	0	107	0	307
Surplus assets held	1,573	0	152	0
Infrastructure	131	15	0	0
	518,526	15	496,557	0

In 2019/20, 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 2020, based on vacant possession, was £1,289m.

H3. Gross Dwelling Rent Income

During 2019/20, 0.94% (0.95% in 2018/19) of all lettable dwellings were vacant. Average rents were £101.19 (£101.97 in 2018/19) per week including affordable rents, a decrease of £0.78 or 0.8% (£0.98 or 0.95% decrease in 2018/19) on the previous year. 43.12% (51.68% in 2018/19) of all Council tenants received some help through rent rebates in 2019/20. Rent arrears increased to £694,287 (£576,934 in 2018/19), which represents 2.45% (2.05% in 2018/19) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £528,622 (£414,969 in 2018/19). Amounts written off during the year totalled £483 (£41,120 in 2018/19). Dwelling rents are shown after allowing for voids.

H4. Rent Arrears on Dwellings

	31 March	
	2020 £000	2019 £000
Arrears	694	577
Provision for uncollectable amounts	(529)	(415)
Arrears as a percentage of gross rents collectable	2.45%	2.05%

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 £5,766,454 (£5,528,816 in 2018/19) in respect of HRA capital receipts during 2019/20. This arose as a result of the sale of council houses £4,848,200 (£4,962,066 in 2018/19), and sale of Land £918,254 (£566,750 in 2018/19). Of this the Council had £2,115,868 (£2,122,454 in 2018/19) available for house building projects and £30,770 (£19,571 in 2018/19) for the administration of the sales which left £3,145,372 (£2,863,411 in 2018/19) to fund other capital projects and pay the central government pool an amount of £474,443 (£523,381 in 2018/19).

H7. Capital Expenditure, Financing and Receipts

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

	31 March	
	2020 £000	2019 £000
Opening capital financing requirement	204,429	204,429
Expenditure:		
* Acquisition and Improvement of land	16	92
* New build- dwellings	16,332	8,040
* Re-provision of existing dwellings	-	799
* Acquisition of existing dwellings	506	54
* Improvement of housing stock and other buildings	5,738	6,639
Financing:		
* Capital receipts and contributions	(3,850)	(2,881)
* Revenue #	(12,113)	(5,538)
* Grants and Reserves	(890)	(751)
* Major Repairs Allowance	(5,738)	(6,455)
* GF Internal Financing	-	-
Closing capital financing requirement	204,429	204,429

In addition, £259k 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		
	2020 £000	2019 £000
Sale of Land	918	567
Sale of Dwelling:		
* Right to Buy	3,264	2,739
* Other	1,559	2,136
Total	5,741	5,442

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.

	2019/20		2018/19	
	£000	£000	£000	£000
Balance as at 1 April		-		-
Transfer to Capital Adjustment Account	(6,545)		(6,634)	
Amount transferred to Statement of Movement on	-		-	
HRA capital expenditure charged to Major Repairs	5,738		6,634	
Total Expenditure		(807)		-
Balance as at 31 March		(807)		-

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

	2019/20 £000	2018/19 £000
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(4,752)	(1,406)
(Loss)/Gain on sale of HRA non-current assets	1,662	2,898
HRA share of contributions to the Pensions Reserve	(591)	(462)
Reversal of Depreciation & Impairment	-	-
Depreciation	(6,545)	(6,634)
Revaluation	(3,783)	(8,390)
Capital Grants and Contributions	890	751
Transfer from Major Repairs Reserve	6,545	6,634
Capital Expenditure funded by the HRA	12,374	6,693
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10,552	1,490
Net increase/(decrease) before transfers to/from res.	5,800	84
Transfers To Earmarked Reserves	-	-
Dec/(inc) in the HRA balance for the year	5,800	84
HRA balance brought forward	(10,012)	(10,096)
HRA balance carried forward	(4,214)	(10,012)

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).

		2019/20			2018/19		
		Non Domestic Rates	Council Tax	Collection Fund Total	Non Domestic Rates	Council Tax	Collection Fund Total
	Note	£000	£000	£000	£000	£000	£000
Income							
Council Tax	CF1	-	(116,519)	(116,519)	-	(108,517)	(108,517)
Non Domestic Rates	CF2	(90,483)	-	(90,483)	(89,604)	-	(89,604)
Total Income		(90,483)	(116,519)	(207,002)	(89,604)	(108,517)	(198,121)
Expenditure							
<i>Apportionment of previous years surplus/(deficit)</i>							
Central Government		4,333	-	4,333	3,899	-	3,899
Cambridgeshire County Council		780	450	1,230	702	542	1,244
Cambridgeshire & Peterborough Fire Authority		87	25	111	78	30	108
Cambridgeshire Police and Crime Commissioner		-	72	72	-	85	85
South Cambridgeshire District Council		3,467	82	3,549	3,119	99	3,218
Precepts and Demands							
Central Government		42,407	-	42,407	40,334	-	40,334
Cambridgeshire County Council		7,633	82,107	89,740	7,260	76,752	84,012
Cambridgeshire & Peterborough Fire Authority		848	4,427	5,275	807	4,223	5,030
Cambridgeshire Police and Crime Commissioner		-	13,933	13,933	-	12,203	12,203
South Cambridgeshire District Council		33,925	9,093	43,018	32,266	8,617	40,883
Special Expenses- Parish Precepts		-	5,618	5,618	-	5,397	5,397
Charges to the Collection Fund							
Write Offs / (write backs)		(3)	10	7	-	14	14
BDP charge for year		327	246	573	106	96	202
Provision for Appeals		2,437	-	2,437	1,659	-	1,659
Cost of Collection Allowance		235	-	235	231	-	231
Transitional Payment Protection (TPP)		(270)	-	(270)	-	-	-
Disregarded Amounts		1,365	-	1,365	1,756	-	1,756
Total Expenditure		97,571	116,062	213,633	92,216	108,059	200,275
Deficit / (Surplus) for the Year		7,088	(457)	6,631	2,612	(458)	2,154
Balance Brought Forward		(5,332)	(1,270)	(6,602)	(7,944)	(812)	(8,756)
Balance Carried Forward		1,756	(1,727)	29	(5,332)	(1,270)	(6,602)

Collection Fund balances:

Attribution of (surplus) / deficit carried forward:

	2019/20			2018/19		
	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	878	-	878	(2,666)	-	(2,666)
Cambridgeshire County Council	158	(1,231)	(1,073)	(480)	(909)	(1,389)
Cambridgeshire & Peterborough Fire Authority	18	(66)	(49)	(53)	(50)	(103)
Cambridgeshire Police and Crime Commissioner	-	(210)	(210)	-	(145)	(145)
Total	1,054	(1,507)	(454)	(3,199)	(1,104)	(4,303)
South Cambridge District Council	702	(220)	482	(2,133)	(166)	(2,299)
Deficit / (Surplus)	1,756	(1,727)	28	(5,332)	(1,270)	(6,602)

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: 62,125 for 2019/20, (61,410 for 2018/19). The basic amount of Council Tax for a Band D property £1,750.82 for 2019/20, (£1,657.62 for 2018/19) 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 Equivalents
Band A Disabled	4.8	4.8	5/9	2.6
Band A	1,987.5	1,987.5	6/9	1,325.0
Band B	6,369.6	6,369.6	7/9	4,954.1
Band C	18,646.0	18,646.0	8/9	16,574.2
Band D	11,518.7	12,941.1	9/9	12,941.1
Band E	10,422.8	10,422.8	11/9	12,738.9
Band F	7,240.5	7,240.5	13/9	10,458.5
Band G	4,151.0	4,151.0	15/9	6,918.3
Band H	362.0	362.0	18/9	724.0
Total Band D	60,702.8	62,125.2		66,636.8
Less Band D equivalents entitled to Council Tax Support				(3,765.0)
MOD contribution				81.7
Total Band D Equivalents				62,953.5
Less Adjustment for Collection Rate		99.4%		(377.2)
Council Tax Base				62,576.3

Income of £116.5m for 2019/20 (£108.5m for 2018/19) was receivable from council tax payers.

CF2. Non Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 49.1p (small business) and 50.4p (others) in 2019/20, (48p (small business) 49.3p (others) in 2018/19) 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 £189,016,311 (£189,455,311 in 2018/19).

CF3. Collection Fund Balance Sheet Entries

The Collection Fund Balance Sheet is constituted as follows:

	2019/20			2018/19		
	NNDR	Council Tax	Total	NNDR	Council Tax	Total
Cash Held by SCDC	10,858	1,696	12,553	15,863	1,211	17,074
Debtors	719	1,628	2,347	656	1,419	2,075
Receipts in Advance	(1,711)	(1,133)	(2,844)	(2,229)	(1,038)	(3,266)
Impairment Provision	(391)	(464)	(855)	(197)	(323)	(521)
Appeals Provision	(11,197)	0	(11,197)	(8,761)	-	(8,761)
Fund Surplus	1,756	(1,727)	28	(5,332)	(1,270)	(6,602)
Total	33	-	33	-	-	-

The Collection Fund Representation of Debtor, Creditor & Appeals Balances in SCDC Accounts is as follows:

	2019/20			2018/19		
	NNDR	Council Tax	Total	NNDR	Council Tax	Total
Debtors	287	207	495	262	186	448
Receipts in Advance	(684)	(144)	(829)	(892)	(136)	(1,027)
Impairment Provision	(156)	(59)	(216)	(79)	(42)	(121)
Appeals Provision	(4,479)	-	(4,479)	(3,504)	-	(3,504)
Creditors - Local Government	(979)	(1,209)	(2,188)	(1,428)	(867)	(2,295)
Cambridgeshire & Peterborough Fire Authority	(109)	(65)	(173)	(159)	(48)	(206)
Cambridgeshire Police and Crime Commissioner	-	(206)	(206)	-	(138)	(138)
Creditors - Central Government	(5,440)	-	(5,440)	(7,931)	-	(7,931)
Fund Surplus to Collection Fund Adjustment Account	702	(220)	482	(2,133)	(166)	(2,299)
Total	(10,858)	(1,695)	(12,553)	(15,863)	(1,211)	(17,074)

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 detailed in note G1. Context of Group Accounts and Consolidation with the Council

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.

	2019/20			2018/19		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Group						
Corporate Services	36,336	(31,510)	4,827	36,519	(33,232)	3,287
All other reporting segments (same as Council-single entity)	58,134	(47,680)	10,455	54,861	(45,682)	9,179
Net Cost of Services	94,471	(79,189)	15,281	91,380	(78,913)	12,466
Other Operating Expenditure			4,798			2,706
Financing and Investment Income and Expenditure			5,637			8,290
Taxation and Non-Specific Grant Income			(27,004)			(28,073)
(Surplus) / Deficit on Provision of Services			(1,289)			(4,610)
(Surplus) / Deficit on Provision of Services by group entities			603			118
Group (Surplus) / Deficit on Provision of Services			(686)			(4,492)
Other Comprehensive (Income) and Expenditure			(47,951)			19,371
Total Comprehensive Income and Expenditure			(48,638)			14,879

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
Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	(10,567)	(22,371)	(10,096)	(9,500)	-	(9,591)	(515)	(770)	-	(63,412)	(258,438)	(321,850)
Surplus / (Deficit) on Provision of Services	(3,061)	-	(1,406)	-	-	-	-	(32)	7	(4,493)	-	(4,493)
Other Comprehensive Income and Exp.	-	-	-	-	-	-	-	-	-	-	19,371	19,371
Total Comprehensive Income and Exp.	(3,061)	-	(1,406)	-	-	-	-	(32)	7	(4,493)	19,371	14,878
Adjustment Between Accounting and Funding Basis Under Regulations	(5,714)	-	1,490	-	-	(1,461)	(143)	-	-	(5,828)	5,827	(1)
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(8,776)	-	84	-	-	(1,461)	(143)	(32)	7	(10,319)	25,198	14,877
Transfer to Earmarked Reserves	5,911	(5,911)	-	-	-	-	-	279	4	282	-	282
Increase / (Decrease) in Year	(2,865)	(5,911)	84	-	-	(1,461)	(143)	246	10	(10,037)	25,198	15,159
Balance as at 31 March 2019	(13,432)	(28,282)	(10,011)	(9,500)	-	(11,052)	(658)	(523)	10	(73,449)	(233,242)	(306,691)
Movements in 2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	(13,435)	(28,282)	(10,012)	(9,500)	-	(11,052)	(658)	(523)	10	(73,452)	(233,237)	(306,689)
Surplus / (Deficit) on Provision of Services	5,940	-	(4,752)	-	-	-	-	(1,874)	0	(686)	-	(686)
Other Comprehensive Income and Exp.	-	-	-	-	-	-	-	-	-	-	(47,951)	(47,951)
Total Comprehensive Income and Exp.	5,940	-	(4,752)	-	-	-	-	(1,874)	0	(686)	(47,951)	(48,637)
Adjustment Between Accounting and Funding Basis Under Regulations	(7,670)	-	10,550	-	(807)	(779)	(20)	-	-	1,273	(1,275)	(2)
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(1,730)	-	5,798	-	(807)	(779)	(20)	(1,874)	0	587	(49,226)	(48,639)
Transfer to Earmarked Reserves	1,410	(1,410)	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	(320)	(1,410)	5,798	-	(807)	(779)	(20)	(1,874)	0	587	(49,226)	(48,639)
Balance as at 31 March 2020	(13,754)	(29,692)	(4,214)	(9,500)	(807)	(11,831)	(679)	(2,398)	10	(72,865)	(282,463)	(355,328)

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.

		31 March 2020		31 March 2019	
	Note	£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment		550,850		509,942	
Investment Properties	G2	100,249		60,560	
Intangible Assets		535		482	
Long Term Investments		2,496		1,254	
Long Term Debtors		747		970	
Total Long Term Assets			654,876		573,207
Current Assets					
Short Term Temporary Investments		10,108		30,733	
Inventories		292		163	
Debtors and Prepayments		5,899		9,965	
Cash & Cash Equivalents		19,923		7,866	
Assets Held for Sale		-		2,123	
			36,222		50,850
Current Liabilities					
Short Term Creditors		(52,809)		(32,163)	
Revenue Grants- Receipts in Adv.		(2,400)		-	
Short Term Borrowing		(10,000)		(3,000)	
Cash & Cash Equivalents		(1,301)		(1,402)	
Provisions		(7,122)		(3,761)	
Short Term Leases		(688)		(603)	
			(74,320)		(40,930)
Long Term Liabilities					
Pensions Liability		(57,352)		(70,548)	
Long Term Borrowing		(202,918)		(205,123)	
Long Term Prov. (Tax) (Group only)		(706)		(249)	
Long Term Leases		(476)		(520)	
			(261,452)		(276,440)
Total Assets Less Liabilities			355,326		306,687
Reserves					
Usable Reserves		72,864		73,453	
Unusable Reserves		282,462		233,235	
Total Reserves			355,327		306,688

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.

	2019/20 £000	2018/19 £000
Net Surplus/(Deficit) on Provision of Services	686	4,492
Adjustments to net surplus or deficit on the provision of services for non-cash movements	50,529	26,344
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	12,089	(4,440)
	63,303	26,396
Net cash flows from Operating Activities	63,303	26,396
Investing Activities	(32,648)	(26,013)
Financing Activities	(18,495)	(976)
Net Increase or (Decrease) in cash and cash equivalents	12,159	(592)
Cash and Cash Equivalents at the beginning of the reporting period	6,464	7,057
Cash and Cash equivalents at the end of the reporting period	18,623	6,465

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.

In preparing the Group Financial Statements the Council has aligned the accounting policies of all group entities with those of the Council.

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

	31 Mar 19	Movement	31 Mar 2020
	£000	£000	£000
Turnover	-	(5,525)	(5,525)
Service Expenses	-	2,713	2,713
Interest Payable	-	2,754	2,754
Interest and Investment Income Receivable	-	(3)	(3)
Gain/Loss on FV of Investment Properties	-	(2,415)	(2,415)
Tax Liability	-	603	603
Useable Reserves	(513)	(1,874)	(2,387)
Un-Useable Reserves	-	-	-
Total company reserves position of Group Balance	(513)	(1,874)	(2,387)
Represented by:			
South Cambs LTD	(523)	(1,874)	(2,398)
Shire Homes Lettings LTD	10	0	10
Total company reserves position of Group Balance	(513)	(1,874)	(2,387)

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

	SC Ltd	Shire Homes	Inter Company	31 Mar 2020
	£000	£000	£000	£000
Property, Plant, Equipment	486	599	-	1,085
Investment Properties	75,649	-	-	75,649
Company Share Capital - Council Investment	2,398	(10)	-	2,387
Short Term Debtors & Cash	674	102	(33)	743
Short Term Creditors	(66,642)	(99)	63,801	(2,941)
Short Term Leases	(347)	(341)	-	(688)
Long Term Borrowing	(6,510)	-	8,716	2,205
Long Term Provisions (Tax)	(706)	-	-	(706)
Long Term Leases	(205)	(271)	-	(476)
Total assets net of Council share	4,795	(21)	72,483	77,258

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 Investment Property assets relating to South Cambs Limited as at 31 March 2020 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.

	SCDC £000	SC Ltd £000	2019/20 £000	2018/19 £000
Rental Income	(850)	(4,970)	(5,820)	(3,775)
Direct Expenses	57	3,994	4,050	3,272
Total	(794)	(976)	(1,770)	(502)

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.

	SCDC £000	SC Ltd £000	2019/20 £000	2018/19 £000
At 1st April	-	60,560	60,560	36,764
Realloc. of IP	-	-	-	-
Acquisitions	25,400	12,673	38,073	23,485
Disposals	-	-	-	-
Revaluation inc/(dec) in CIES	(800)	2,415	1,616	311
At 31st March	24,600	75,649	100,249	60,560
Fair Value:				
At 1st April	-	60,560	60,560	36,764
At 31st March	24,600	75,649	100,249	60,560

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

G3. Loans and Investments

The Council has undertaken fixed term investments of £72.180m (£58.653m 2018/19) 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

The Council has no finance or operating leases. Payments of £49,000 in respect of vehicle contract hire were made in 2019/20 (£84,719 in 2018/19). South Cambs Ltd has operating leases with payments of £612,652 in 2019/20 (£605,090 in 2018/19) in respect of property leases. Shire Homes Lettings Limited had payments of £322,594 in 2019/20 (£172,516 in 2018/19) in respect of property leases.

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

	SC Ltd	Shire Homes	31 Mar 2020	31 Mar 2019
	£000	£000	£000	£000
Not later than 1 year	527	358	885	956
Later than 1 year, not later then 5 years	389	278	667	888
Later than 5 years	-	-	-	11
Future finance charges and other adj's	(363)	(25)	(388)	(732)
Total	552	612	1,164	1,124

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. Mike Hill left this post in February 2020 and was replaced by Liz Bisset. Council employee Heather Wood (unpaid) and Councillor Peter Fane are Directors of Shire Homes Lettings Ltd.

Annual Governance Statement

Covering Introduction

The current status of this document is draft. It is unaudited and may be updated and amended.

The draft AGS has been published as required by relevant legislation:

<http://www.legislation.gov.uk/ukxi/2015/234/regulation/15/made>. It has been prepared in accordance with regulation 6(1)(b). As a draft document the statement has not yet been approved in accordance with regulation 6(2)(b), and the final version will be approved by the Audit & Corporate Governance Committee in advance of the Statement of Accounts.

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.

As the final version of the 2018/2019 AGS was approved as part of the statement of Accounts in April 2022, and reflects governance issues up to the data of approval 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;
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 2018/2019 and AGS 2019/2020 being produced, this still provides an opportunity for the Council to document what has happened in the 2019/2020 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 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

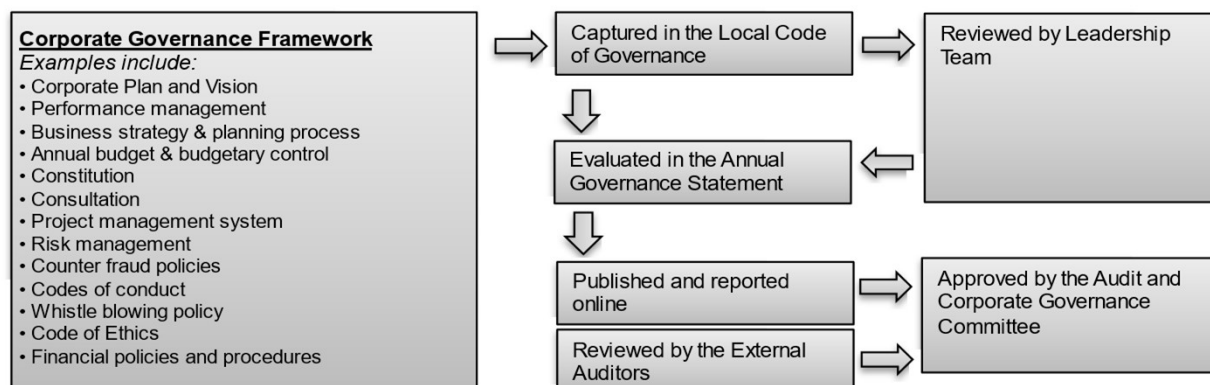
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 2019/20 financial year supports the Council aims and objectives, which are published on our website. The Vision was “Putting the heart into South Cambridgeshire” by:

- * 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 2020, 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.
Leadership Team	<p>The management team structure includes a strategic Leadership Team 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 Director of Health and Environmental Services was appointed to the role of Interim Chief Executive, and Liz Watts was substantively appointed to the role of Chief Executive in July 2019.</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 full Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Council's 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 Civic Affairs 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 activities contribute to the continuous review of 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 the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The audit opinion was presented to the Audit and Corporate Governance Committee in November 2020. This report outlined the key findings of the internal audit work undertaken during 2019/20, 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 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 2019/20, and this remains at a similar level to the previous year.

External Audit

Ernst and Young (now EY) are the appointed external auditor. Their results report (ISA260) was presented to the Audit and Corporate Governance committee in December 2019.

EY issued an "unqualified" audit opinion on the financial statements which provided assurance for the 2017/2018 Statement of Accounts. They issued a "qualified" value for money conclusion in respect of the Authority's proper arrangements to make informed decisions as a result of having reliable and timely financial reporting. This was because it was the third consecutive year that the Authority has been unable to prepare and publish its accounts by the dates outlined in the Accounts and Audit Regulations 2014. The 2018/2019 accounts were concluded in April 2022. This ongoing challenge is reflected in our Opportunities for Improvement.

Public Services Network

The Council completed the Cabinet Office compliance verification process for the Public Services Network Code of Connection (PSN), and a certificate was issued. This demonstrated that the information technology infrastructure was sufficiently secure to connect to the PSN.

International Organisation for Standardisation (ISO)

During the year, the Greater Cambridge Shared Commercial Waste Service undertook two rounds of independent assessment for their accreditation of ISO14001 (Environmental Standard) and ISO9001 (Quality Management). In each instance the service was compliant in meeting the standards and retained their certification. Minor non-conformities, where identified, were recorded and managed through the Risk Management framework.

Impact of Coronavirus

The pandemic Covid-19 had the potential to significantly impact the governance risk and control environment. Immediate threats included the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it was 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 pandemic.

In response to the pandemic the Council implemented various measures through its business continuity framework, with continuous risk management in this period. Examples included formation of task force, risk management, prioritisation of services, flexible working policies, and regular communication within the Council and the community. The relatively recent adoption of Council Anywhere technology helped the Council to continue working from remote locations and maintain service delivery. 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.

3. Progress from the Last Annual Governance Statement

The Council prepared an Annual Governance Statement for 2018/19 which was approved by the Audit and Corporate Governance Committee. An update on the previous action plan is included below:

Action	Update and Status
<u>Review of the Constitution</u>	
The Civic Affairs Committee 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 final report of the Task and Finish Group was presented to Civic Affairs Committee in March 2020 and approved. Subsequently, full Council accepted the recommendation of Civic Affairs and adopted the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme in May 2020.

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".

The Council launched the self service portal: <https://mysouthcambs.scambs.gov.uk> and continues to work on digital transformation.

Statement of Accounts

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.

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 and Corporate Governance Committee.

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.

The Statement of Accounts for 2018/2019 were approved in April 2022. The Council is in the process of agreeing a timetable with the auditors to get the accounts up to date as soon as possible with 2019/20 scheduled for completion in October 2022. This will be a challenging process that will require commitment from both the Council and the appointed auditors and close management will be required.

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 and Corporate Governance Committee.

The policies were reviewed and approved by the Audit and Corporate Governance Committee in March 2022.

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.

The Financial Management System is in place and working well and further system developments are currently being made. The new Asset Management System has been implemented. The improved data quality should help the Council to support prompt completion of the Statement of Accounts going forwards.

Control Accounts

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.

Organisational Development Strategy

The Council will complete a review of the Organisational Development Strategy which will help to improve recruitment and retention of employees.

The Council has started the review of the Organisational Development Strategy, and has:

- agreed a new Target Operating Model for the Council.
- introduced a new Hybrid Working Policy supporting flexible working arrangements.
- started the review of remuneration and job evaluation processes.
- started the service review program to support the move towards the Target Operating Model

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.

The new system was implemented. The project introduced revised policy and processes for the handling and management of complaints. A post implementation review has been commenced as good practice.

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.

The Council adopted the Zero Carbon Strategy in May 2020. This aims deliver a 50% reduction in carbon emissions using 2018 as a baseline over a 30-year period.

Additionally, the Council approved the revised terms of reference of the Climate and Environment Advisory Committee. In January 2020, the Committee reviewed the Air Quality Strategy for approval by Cabinet. The strategy aims to deliver across three key areas: three key areas:

- A. Growth and new developments district wide
- B. The Council's Monitoring network
- C. Existing communities

Procurement

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:

- 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.

In June 2020 Cabinet reviewed and noted the actions that have been undertaken over the past 12 months to reduce the barriers to Council Procurement.

The report advised that the Council's Invitation to Quote and Invitation to Tender documents have been reviewed and simplified, and a more flexible system was put in place towards the insurance and indemnity levels needed at contract level, based on an assessment of commercial risks and the nature and size of the contracts. Other initiatives included procurement workshops with business representatives and consultation with local businesses through the use of the Open for Business register and newsletter..

4. Review of Effectiveness

The Council has several policies and procedures which are recorded in its Local Code of Governance. These are mapped to the seven principles of good governance. 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. This activity is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

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.

The Council is involved in partnership working and has group relationships with other entities. It is the sole owner of Ermine Street Housing, a contributor and partner to the Greater Cambridge Partnership. Additionally, the Council owns a dedicated leasing company Shire Homes which looks to house vulnerable adults and families into short term let accommodation. The Council is looking to partner with Hill the developer as part of its investment management strategy. The Council also actively takes part in the support of community housing groups resident associations and advisory panels including the Northstowe Community Networkers Group, the Planning Committee Development Group, the Event Safety Advisory Group, the Tenant Working Groups and Relationship Breakdown and Housing Support Group. Activities of the groups are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

The 2019/2020 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2018/2019 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.

Ongoing good practice is recorded in the Local Code of Governance. The review concludes that the Council has complied with its Code. Additional examples of good practice, emerging controls, and governance issues from the last twelve months, considered when completing the review are recorded below, and may be incorporated into the next revision of the Code where appropriate:

Principle	Review of effectiveness for the 1819 Financial Year
A. Behave: integrity, ethical values, respect rule of law	<ul style="list-style-type: none"> • Full Council agreed the Scheme of Delegation of Council Functions as set out in Part 3 of the Constitution • The Local Code of Governance was reviewed and updated to reflect the latest professional standards and guidance • Political Proportionality and allocation of seats for committees 2019/20 were agreed for Ordinary Committees and Joint and Advisory Committees • Following a report by the Constitution Review Task and Finish Group, amendments to the powers and delegations supported by the Planning Committee were approved • Following a review by Civic Affairs of polling districts and polling places it was determined that no further amendments were required • The Scrutiny and Overview Committee appointed Councillor Grenville Chamberlain as the Finance Scrutiny Monitor
B. Openness and stakeholder engagement	<ul style="list-style-type: none"> • The Greater Cambridge Local Plan: Issues and Options consultation sought comments on the proposed content of, and the consultation, for the Greater Cambridge Local plan. • The Council contributed, as part of the Greater Cambridge Partnership Joint Assembly, on consultations and stakeholder engagement. This included receiving the report and recommendations of the Greater Cambridge Citizens' Assembly held in September and October 2019 aimed at delivering solutions for improvements to reduce congestion, improve air quality and provide better public transport in Greater Cambridge area. • The Council consulted on Community Governance reviews, such as the Longstanton and Oakington and Westwick area in response to the creation of the new community at Northstowe.
C. Defining outcomes - economic, social, environmental	<ul style="list-style-type: none"> • Cabinet approved policies and strategies such as the Homelessness Strategy 2018-23, Statement of Community Involvement, Premature Birth and Neonatal Policy and the Greater Cambridge Economic Plan. • Cabinet made a joint pledge with Cambridge City Council to resettle Syrian refugee families. • The Climate and Advisory Committee undertook various activities, such as: considering electric vehicles; noting Zero Carbon action Plan report; reviewing the Investment in Green Energy progress report; reviewing the Air Quality Strategy; recommending the Council liaise with County and Parish Council to maintain biodiversity (grass verges), and reviewed funding decisions for the Zero Carbon Communities grant scheme. • The Histon and Impington Youth Eco Council delivered their concerns regarding climate change to the Climate and Advisory Committee • The Council recruited an Energy Investment Officer, and the Green to Our Core Cluster Board was established to consider green energy projects for South Cambs Hall budgeted at £1.3million which would be recovered from savings over 14 years.

D. Determine interventions to achieve outcomes	<ul style="list-style-type: none"> • 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 • The Council agreed to adopt the policy statement concerning Statement of Gambling Act 2005 Policy and the Statement of Licensing Act 2003 • Cabinet agreed to the establishment of a new Zero Carbon Communities grant scheme. The grant aligns with the 'Green to our Core' Council priority, and the shift to zero carbon emissions by providing support to parish councils and community groups for projects that will reduce reliance on fossil fuels and promote behaviour change. • Cabinet approved the Greater Cambridge Housing Strategy for 2019-23
E. Develop capacity and capability of entity	<ul style="list-style-type: none"> • There were various changes to the establishment in the year, and Cabinet approved a proposed Senior Management restructure. Full Council agreed to approve the arrangements for the appointment of interim Chief Executive, and the S151 Officer was substantively appointed. • Cabinet approved the reappointment of the Brexit Advisory Group • The Audit and Corporate Governance Committee reviewed their Terms of Reference, which had been updated to reflect best practice guidance. • The Scrutiny and Overview committee considered and endorsed the proposal to invite the Centre for Public Scrutiny to undertake a review of the effectiveness of the Council's scrutiny function. The report identified that "Overall the Council has a strong ongoing commitment to scrutiny in terms of the level of activity undertaken, and time and resource dedicated across the organisation" Findings were presented to the Scrutiny and Overview Committee in July 2020 and endorsed the eight recommendations made, and endorsed the proposal in the SIR report that a Member workshop should be held to consider the findings of the review and engage in ideas for change and improvement.
F. Manage risk and performance, internal control, finance	<ul style="list-style-type: none"> • Cabinet approved the Strategic Risk Register which had been updated to reflect the latest Business Plan. Cabinet reviewed and approved the fees and charges. • Scrutiny and Overview Committee supported the adoption of the Corporate Asset Plan and supported the adoption of the revised Investment Strategy. The Council purchased an investment property, 140 Cambridge Science Park, a leasehold property. • Full Council approved key financial documents including the Capital Strategy, the Treasury Management Strategy, and the budgets for the Housing Revenue Account and the General Fund.
G. Transparency, reporting, audit, accountability	<ul style="list-style-type: none"> • The Audit and Corporate Governance Committee approved the Final Statement of Accounts for 2017/2018. The Statement of Accounts for 2018/2019 were approved in April 2022. The ongoing challenge is recognised in our new action plan for improvement. • The Audit and Corporate Governance Committee received the annual review letter from the Obudsman.

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 continuous and ongoing. They consider both historic governance issues that have arisen during the 2019/20 financial year and up to the date the Statement of Accounts are approved, and also look ahead for potential issues from our risk management process, corporate plans and strategies.

Governance Theme	Actions	Responsible Officers
Capacity for decision making	<p>In response to Covid-19 we reprioritised our resources to focus on the critical response activities. We anticipated the potential for new legislation to be rapidly established in response to external factors such as Covid-19 and Brexit. Consequently, some of our planned activities, which support the overall capacity of the Council, such as decision making, were delayed.</p> <p>The Councils forward plan of work is regularly reviewed to ensure that planned activities are prioritised and will be delivered at the earliest opportunity, and to respond to emerging external unplanned factors.</p>	Corporate Executive Management Team
Resources	<p>There is also potential for unplanned events and changes in legislation to adversely affect our finance and resources, which could be challenging to manage over the longer term.</p> <p>We recognised that Covid-19 has the potential to drive budgetary constraints, with reduced income from commercial activities, fees and charges.</p> <p>This is in addition to existing uncertainty from examples such as Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit has the potential to impact our resources.</p> <p>We will continue to proactively manage the impact on our resources through budgetary control and the Medium Term Financial Strategy.</p>	Corporate Executive Management Team

Financial Reporting	The 2018/2019 Statement of Accounts were audited and Leadership Team approved in April 2022. This was after the statutory deadline, due to various factors such as resource issues and the Covid-19 pandemic. Consequently, EY issued a “qualified” value for money conclusion in respect of the Authority’s proper arrangements to make informed decisions as a result of having reliable and timely financial reporting.
---------------------	--

This continuing risk of late completion of accounts has been recognised nationally.

We will continue to work with EY on concluding the 2019/2020 and 2020/2021 accounts as quickly as possible, and will continue to keep the Audit and Corporate Governance committee informed on the progress.

A timetable is in place to get the accounts up to date during the second quarter of the 2024 calendar year, with 2019/20 scheduled for completion in October 2022. This is a challenging timetable that will require commitment from both the Council and the appointed auditors and close management of the process will be required.

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

Date:.....

Date:.....

LIZ WATTS
CHIEF EXECUTIVE

COUNCILLOR BRIDGET SMITH
LEADER OF THE COUNCIL

Glossary of Financial Terms and Abbreviations

Glossary of Abbreviations

AGS	Annual Governance Statement
CFO	Chief Financial Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance & Accountancy
EY	Ernst & Young Auditors
GAAP	General Accepted Accounting Practice
GCP	Greater Cambridge Partnership
GF	General Fund
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IPSAS	Institute Public Sector Accounting Standards
ISO	International Organisation for Standardisation
LGPS	Local Government Pension Scheme
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
MIRS	Movement in Reserves Statement
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	Non-Domestic Rates
PSN	Public Services Network
PWLB	Public Works Loans Board
REFCUS	Revenue Expenditure Funded by Capital under Statute
SOLACE	Society of Local Authority Chief Executives and Senior Managers

Glossary of Terms

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 Cambridge 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.

Events after Balance Sheet Date

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.

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 and 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.

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.

Outturn

Outturn refers to actual income and expenditure balances as opposed to budgeted amounts.

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.

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 party

- 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 administration services;
- 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.

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.

South Cambridgeshire District Council Audit planning report

Year ended 31 March 2020

30 June 2022

Page 107

Agenda Item 5



South Cambridgeshire District Council

30 June 2022

Dear Audit and Corporate Governance Committee Members

Audit planning report

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

This 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. Our planning procedures remain ongoing; we will inform the Audit and Corporate Governance Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit 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 28 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Janet Dawson

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 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and 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.
Capital accounting entries	Significant Risk	New risk	<p>In 2018/19 the Council implemented a new fixed asset register (FAR). We found that the Council had a lack of understanding of how the new FAR operated resulting in multiple attempts to produce reports from the new FAR that reconciled with the closing balances from 2017/18, the Council's trial balance and the statement of accounts. We also identified significant deficiencies in the accuracy and completeness of accounting entries relating to the implementation of the new FAR which resulted in material adjustments to capital accounting balances and disclosures in the 2018/19 draft statement of accounts.</p> <p>Given these prior year findings there remains a significant risk that capital accounting entries and disclosures may be materially misstated in 2019/20.</p>
Valuation of Investment Properties	Significant risk	New risk	<p>During the 2019/20 the Council purchased three investment property assets totalling £25.4 million. At the balance sheet date these assets should be valued at fair value where operational or where these assets are still held as an asset under construction they should be accounted for at cost unless their fair value can be reliably measured.</p> <p>The valuation of these investment properties represent a significant balance in the statement of accounts and their valuation requires management to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>

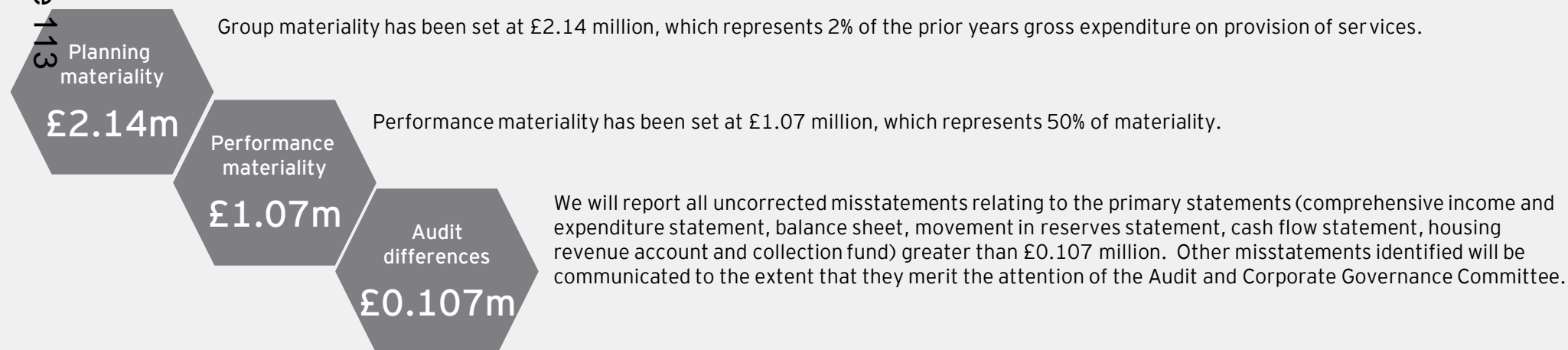
Overview of our 2018/19 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Non-domestic rate (NDR) appeals provision	Inherent risk	New Risk	For 2019/20 the Council has employed a new expert, Wilkes Head and Eve, to value its NDR appeals provision. The NDR appeals provision in 2018/19 totalled £3.5 million. Given the material nature of the estimate there is an increased risk that the balance as determined by their new expert may be materially misstated.
Presentation and disclosure of accounting items	Inherent risk	Reduced risk	<p>In the 2018/19 audit we included a significant risk over the presentation and disclosure of accounting items across the whole of the 2018/19 statement of accounts due to prior year findings on the quality of supporting working papers and the significant level of audit adjustments identified as a result of weaknesses in the capacity and capability in the finance team.</p> <p>Whilst in 2018/19 we identified significant issues and deficiencies regarding property, plant and equipment as reflected in our significant risk, titled Capital accounting entries on the previous page of this report, we did identify some improvements across other areas of the statement of accounts in regard to reduced audit adjustments. The Council has also strengthened its finance team for the 2019/20 statement of accounts process, undertaking a detailed quality review of its own working papers and supporting evidence. At the planning stage we believe that this reduces the audit risk over other areas of the accounts (other than property, plant and equipment) to an inherent risk for 2019/20.</p> <p>Throughout the audit we will keep this risk assessment in review and will communicate to the Audit and Corporate Governance Committee should we need to reassess the level of this risk.</p>
Valuations of other land and buildings and housing	Inherent risk	No change in risk or focus	<p>Other Land and Buildings (OLB) and housing represent significant balances in the Council's accounts (£27 million and £468 million 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.</p> <p>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.</p>
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 (£71m 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.

Overview of our 2018/19 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Group accounts	Area of audit focus	No change in focus	The Council has been preparing group accounts for several years. We are required to carry out procedures on the 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	No change in 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 the Council finances over the next 18 to 24 months.

Materiality



Overview of our 2019/20 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of South Cambridgeshire District Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We anticipate that we will not be required to report to the National Audit Office (NAO), on the Council's Whole of Government Accounts return, due to the lateness of reporting for the 2019/20 financial year.

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

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

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

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

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



02

Audit risks





Audit risks

Our response to significant risks

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

Fraud Risk

Misstatements due to fraud or error

Page 116

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

Fraud Risk

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 it 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.
- 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

Significant Risk

Capital accounting entries

Financial statement impact

We have assessed that the risk of material misstatement is most likely to impact:

- Property, Plant and Equipment and Investment Property non-current asset balances on the Balance Sheet;
- The revaluation postings to the Revaluation reserve and to the Comprehensive income and Expenditure Statement; and
- The Property, Plant and Equipment and Investment Property disclosure notes.

What is the risk?

In 2018/19 the Council implemented a new fixed asset register (CIPFA Asset Management System). We identified:

- A lack of understanding of how the new FAR operated resulting in multiple attempts to produce reports from the new FAR that reconciled to the closing balances from 2017/18, the Council's trial balance and the statement of accounts;
- A number of data input errors into the new FAR;
- Material audit adjustments in the property, plant and equipment note required to ensure that the opening balances reflected the correct valuations, classifications and associated revaluation reserve balances;
- A material prior year adjustment of £6.4m on the opening revaluation reserve balance;
- Material adjustments to the Property, Plant and Equipment note to correct for classification errors;
- Audit adjustments relating to a significant number of surplus assets which were held at nil value in the 2018/19 draft statement of accounts that had not be revalued as required by the CIPFA Code of practice

These findings resulted in significant additional work to address the issues identified.

Better understanding of the system and its operation improved during 2021/22 as a result of the 2018/19 audit process that took place during that time. Therefore the significant risk that capital accounting entries and disclosures may be materially misstated remains in 2019/20 as the system was operating before that understanding was developed.

What will we do?

We will, once the Council has finalised their 2019/20 fixed asset register:

- Undertake a detailed review of the reports from the CIPFA Asset Management System and ensure capital balances internally reconcile and are correctly classified;
- Undertake detailed testing of the opening balances within CIPFA Asset Management system;
- Perform detailed testing of the in year movements within CIPFA Asset Management system; and
- Test the consistency between the CIPFA Asset Management System, draft 2019/20 Statement of and trial balance.



Audit risks

Our response to significant risks (continued)

Significant Risk:

Valuation of investment properties.

Financial statement impact

We have assessed that the risk of material misstatement is most likely to impact:

Investment Property non-current asset balances on the Balance sheet;
The revaluation postings to the Comprehensive income and Expenditure Statement; and

- Investment Property disclosure notes.

What is the risk?

During 2019/20 the Council purchased three investment property assets totalling £25.4 million. At the balance sheet date these assets should be valued at fair value where operational or where these assets are still held as an asset under construction they should be accounted for at cost unless their fair value can be reliably measured.

The valuation of these investment properties represent significant balance in the statement of accounts and their valuation requires management to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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

What will we do?

We will:

- Consider the work performed by the valuer over the Investment Property assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Engage our own internal valuers, EY Real Estates, to review a sample of investment property assets and test the assumptions and methodologies employed by the Council's external valuer;
- Perform testing of key assumptions and methodologies on a further sample of investment property assets and consider the reasonableness of the estimation techniques employed;
- Sample test key asset information used by the valuer in performing their valuation, and agreeing this to what has been recorded in the fixed asset register and general ledger;
- Test that accounting entries have been correctly processed in the financial statements; and
- Review the disclosures to ensure that adequate disclosures are made in relation to estimation uncertainty.



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?	What will we do?
<p>Non-domestic rate (NDR) appeals provision</p> <p>For 2019/20 the Council has employed a new expert, Wilkes Head and Eve (previously Analyse LOCAL), to value its NDR appeals provision estimate. The NDR appeals provision in 2018/19 was £3.5 million. Given the material nature of the estimate there is an increased risk that the balance as determined by their new expert maybe materially misstated.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider the work performed by the Council's expert, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample test key information used by the expert in performing their estimation (e.g. rateable value, estimation of new appeals and likelihood of successful appeals); and • Test to ensure accounting entries and disclosures have been correctly processed in the financial statements.
<p>Presentation and disclosure of accounting items</p> <p>Our 2018/19 audit included a significant risk over the presentation and disclosure of accounting items across the whole of the 2018/19 statement of accounts due to prior year findings on the quality of supporting working papers and the significant level of audit adjustments identified as a result of weaknesses in the capacity and capability in the finance team.</p> <p>Whilst we identified significant issues and deficiencies regarding property, plant and equipment as reflected in our significant risk, Capital accounting entries, we did identify some improvements across other areas of the statement of accounts in 2018/19 in regard to reduced audit adjustments. The Council has also strengthened its finance team for the 2019/20 statement of accounts process, undertaking a detailed quality review of it's working papers and supporting evidence. At the planning stage we believe that this reduces the audit risk over other areas of the accounts (other than property, plant and equipment) to an inherent risk for 2019/20.</p> <p>As the audit progresses we will keep this risk assessment in review and will communicate to the Audit and Corporate Governance Committee should we need to reassess the level of this risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Undertake a detailed review of the statement of accounts to assess the overall quality of accounts presented for audit; • Review the statement of accounts against the CIPFA disclosure checklist to assess whether they meet the requirements of the CIPFA CODE of practice; • Review the adequacy of the working papers provided on each are of the accounts before we commence detailed audit work and provide feedback as to their quality to management; and • lower our testing threshold across the financial statements to 50% of materiality.



Audit risks

Other inherent risks (continued)

What is the risk/area of focus?

Valuation of Other Land and Buildings (OLB) and housing

OLB at £27 million and housing at £468 million 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; and
- 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?	What will we do?
<p>Pension Liability Valuation & other pension disclosures</p> <p>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 £71 million.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none">• 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.
<p>Group accounts</p> <p>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 2019/20 audits and what impact that has on our consideration of the group accounts.</p>	<p>We will:</p> <ul style="list-style-type: none">• 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.



Audit risks

Other areas of audit focus

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.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

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 impact on the 2018/19 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.



03

Value for Money Risks





Value for Money

Background

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

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

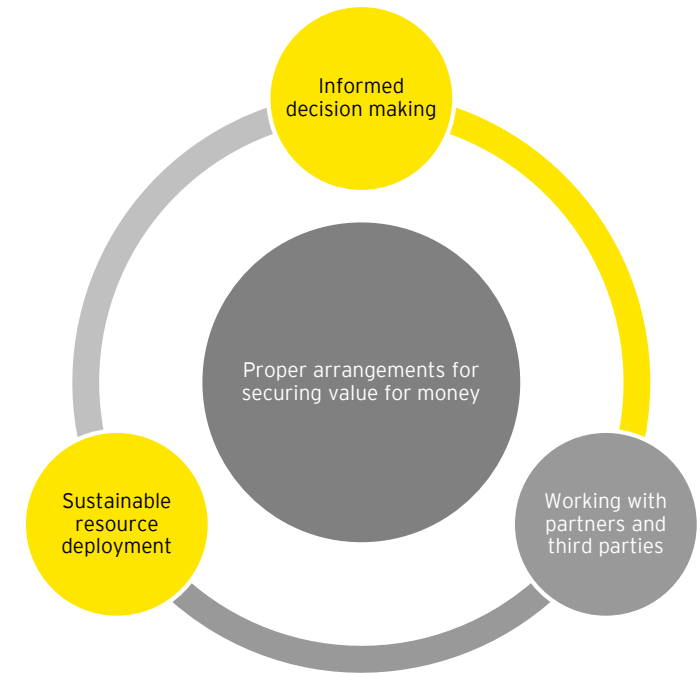
- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

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

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work





Value for Money

Initial risk assessment

For the 2018/19 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 March 2022 Audit Results Report we included recommendations for improving financial reporting, which management accepted.

For 2019/20, 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 April 2022.

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



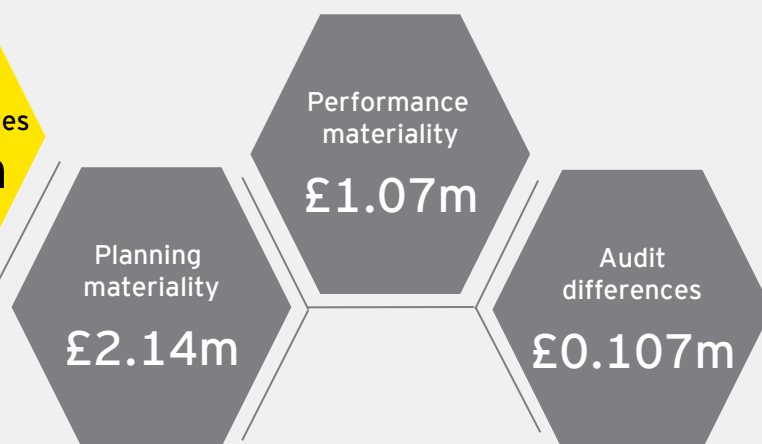
Group Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £2.14 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this as the main function of the Council is to provide services to the local community and as such the expenditure on this is the most appropriate basis for determining materiality.

Page 128

Gross expenditure
on provision of services
£106.89m



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. We have set performance materiality at £1.07 million which represents 50% 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, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

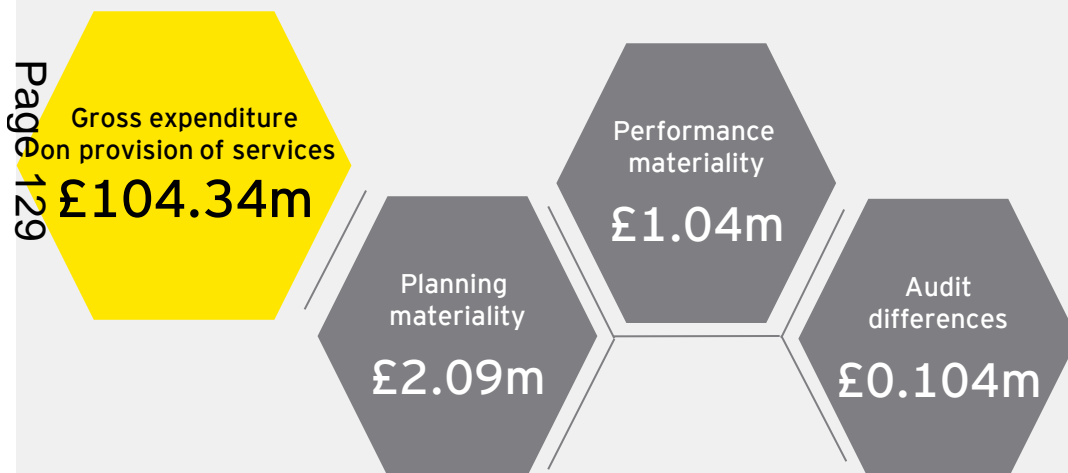
Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Corporate Governance Committee, or are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

Specific materiality - We have set a materiality 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.

South Cambridgeshire District Council Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £2.09 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this as the main function of the Council is to provide services to the local community and as such the expenditure on this is the most appropriate basis for determining materiality.



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. We have set performance materiality at £1.04 million which represents 50% 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, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

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

Specific materiality - We have set a materiality 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 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, 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 discuss 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 2019/20 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 2019/20.

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 scope 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 was a review scope audit in previous years and as such there have been no changes to that entity.

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 2019/20 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



Audit team

The engagement team continues to be led by Janet Dawson and managed by Mark Russell, with support from Nichola Vella. 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
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team
Financial Instruments	Linked Asset Services (management specialist)
NNDR appeals provision	Wilkes Head and Eve (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.



07

Audit timeline





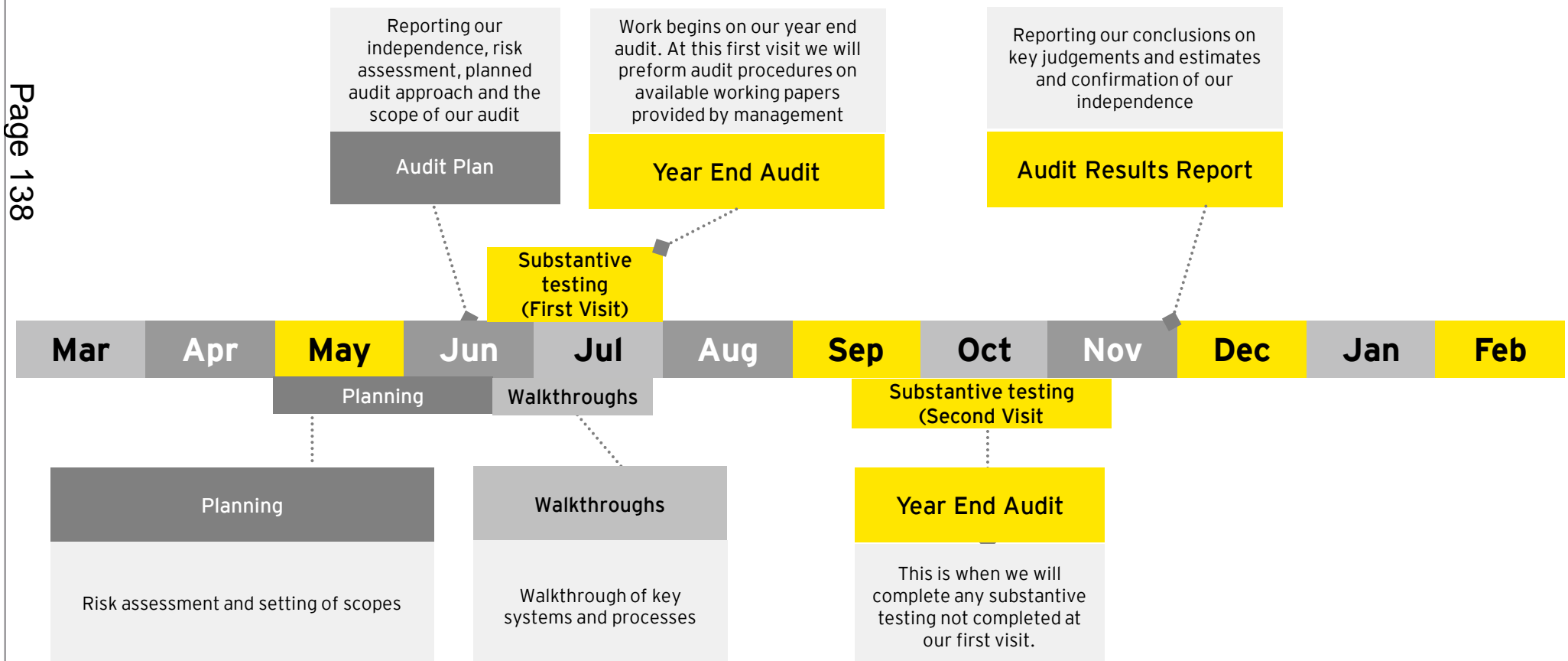
Audit timeline

Timetable of communication and deliverables

Timeline

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

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





08

Independence



Introduction

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

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 [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, 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.

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.

Page 42

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. We have completed our procedures on the certification and reported to the DWP. The fee for 2019/20 was £14,995.	Self review threat - figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	<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 2019/20.</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 2021:

https://www.ey.com/en_uk/about-us/transparency-report-2021



09

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 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work	40,021	40,021
Additional risks and areas of focus (Note 1)		
Additional audit overruns & delays (Note 2)	0	106,500
Risk - Group accounts	4,000 - 5,000	5,000
Risk - Presentation and disclosure of accounting items and Impact of 50% performance materiality & higher risk factors	10,000 - 20,000	20,000
Risk - Data migration relating to new Fixed Asset Register (FAR)	0	152,000
Risk - New financial management system	0	7,500
Risk - Going concern	1,500 - 3,500	3,500
Risk - New accounting standards	0	1,250
Risk - Capital Accounting Entries	5,000 - 20,000	0
Risk - Valuation of Investment Properties	3,000 - 6,000	0
Risk - Non-domestic rate (NDR) appeals provision - change in management expert	2,000 - 5,000	0
VFM - qualification in relation to Council's weaknesses in meeting financial reporting duties for publishing draft and audited accounts	0 - 3,500	3,500
Total audit	65,521 - 103,021	339,271
Non-audit services:		
Housing Benefits (Note 3)	14,995	14,815
Total other non-audit services	14,995	14,815
Total fees	80,516 - 118,016	354,086

All fees exclude VAT



Appendix A

Fees (Continued)

Note 1: Where possible we have included a range for the additional fees associated to known new risks and areas of audit focus which are not included in the base PSAA scale fee. We will revisit these ranges on completion of the work and seek agreement with the Section 151 officer.

Note 2: 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 as part of 'additional audit overruns & delays'. In 2018/19 (and financial year prior to this) we have encounter significant delays and deficiencies in the Council's ability to prepare financial statements and supporting working papers.

Note 3: You engage us separately as the reporting accountant to the DWP on your claim for housing benefit subsidies. This is outside the PSAA contact.




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	Audit Plan - July 2022
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 2022

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 2022
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 2022
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: <ul style="list-style-type: none"> ▶ 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 2022
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. 	Audit Plan - July 2022; and Audit Results Report - December 2022



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 2022
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 2022
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - December 2022
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - December 2022
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - December 2022
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 2022

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 	Audit plan - July 2022 Audit Results Report - December 2022
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ 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 2022
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit plan - July 2022 Audit Results Report - December 2022

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the **Audit and Corporate Governance Committee** reporting appropriately addresses matters communicated by us to the **Audit Corporate Governance Committee** and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

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

Materiality determines:

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

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



Report to:	Audit and Corporate Governance Committee	28 th July 2022
Lead Officer:	Head of Shared Internal Audit	

Annual Governance Statement and Local Code of Governance

Executive Summary

1. This report presents the draft Annual Governance Statement (AGS) for 2019/20, 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.

Key Decision

3. No

Recommendations

4. 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

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

Details

Scope of the AGS

6. 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

7. 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.
8. 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.
9. Arrangements for compiling the AGS have been coordinated through Internal Audit, with input from the stakeholders and colleagues.
10. 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

11. The Accounts and Audit regulations require the Committee to approve the AGS. The AGS should reflect the governance matters from the relevant financial year, plus up to the date when the accounts are signed.
12. The final version of the 2018/2019 AGS was approved with the accompanying Statement of Accounts in March 2022. The draft 2019/2020 AGS was published with the 2019/2020 Statement of Accounts at the earliest opportunity. Consequently, there were not any significant changes to the governance arrangements in the Council at the time of publication. Despite the short period between both the AGS 2018/2019 and AGS 2019/2020 being produced, this process still provides an opportunity for the Council to document what has happened in the 2019/2020 financial year, through the Review of Effectiveness.
13. 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.
14. Any material governance changes arising between the report date and the conclusion of the Statement of Accounts, may need to be recorded in the 2019/2020 AGS if relevant. For example, we have added a paragraph reflecting the impact of the Coronavirus pandemic.
15. The AGS is included in the Statement of Accounts on pages 71-83. Members of the Committee should approve the AGS in advance of the Statement of Accounts, and we have included a separate agenda item to reflect this.

Local Code of Corporate Governance

16. 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.
17. 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.
18. The Code stands as the overall statement of the Councils corporate governance principles and commitments and is reviewed regularly as good practice. It is appended to this document – Appendix B. Recent updates have been recorded as tracked changes.
19. The Code includes the Seven principles of public life, as it applies to anyone who works for local government and supports good governance. It is updated to reflect any changes made by the Committee on Standards in Public Life. The Leadership descriptor was recently updated.

Options

20. The AGS reflects events from the 2019/2020 Financial Year, and significant events up to the current date. Members are invited to comment on the contents prior to approval in advance of the Statement of Accounts.

Implications

21. 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.

Alignment with Council Priority Areas

22. The Annual Governance Statement considers all of the Council Priority Areas.

Background Papers

23. 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

Appendices

Appendix A: Local Code of Governance

Report Author:

Jonathan Tully – Head of Shared Internal Audit
Telephone: (01223) 458180
Email: jonathan.tully@scambs.gov.uk

Local Code of Governance



Local Code of Corporate Governance

Good governance

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest and accountable manner.

A Council's Code of Corporate Governance is:

"The system by which local authorities direct and control their functions and relate to their communities"

Our commitment

South Cambridgeshire District Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council and ultimately good outcomes.

Good governance flows from shared values, culture and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

This local code of governance has been developed in accordance with and is consistent with the Delivering Good Governance in Local Government framework, which builds on the seven Principles for the Conduct of Individuals in Public Life.

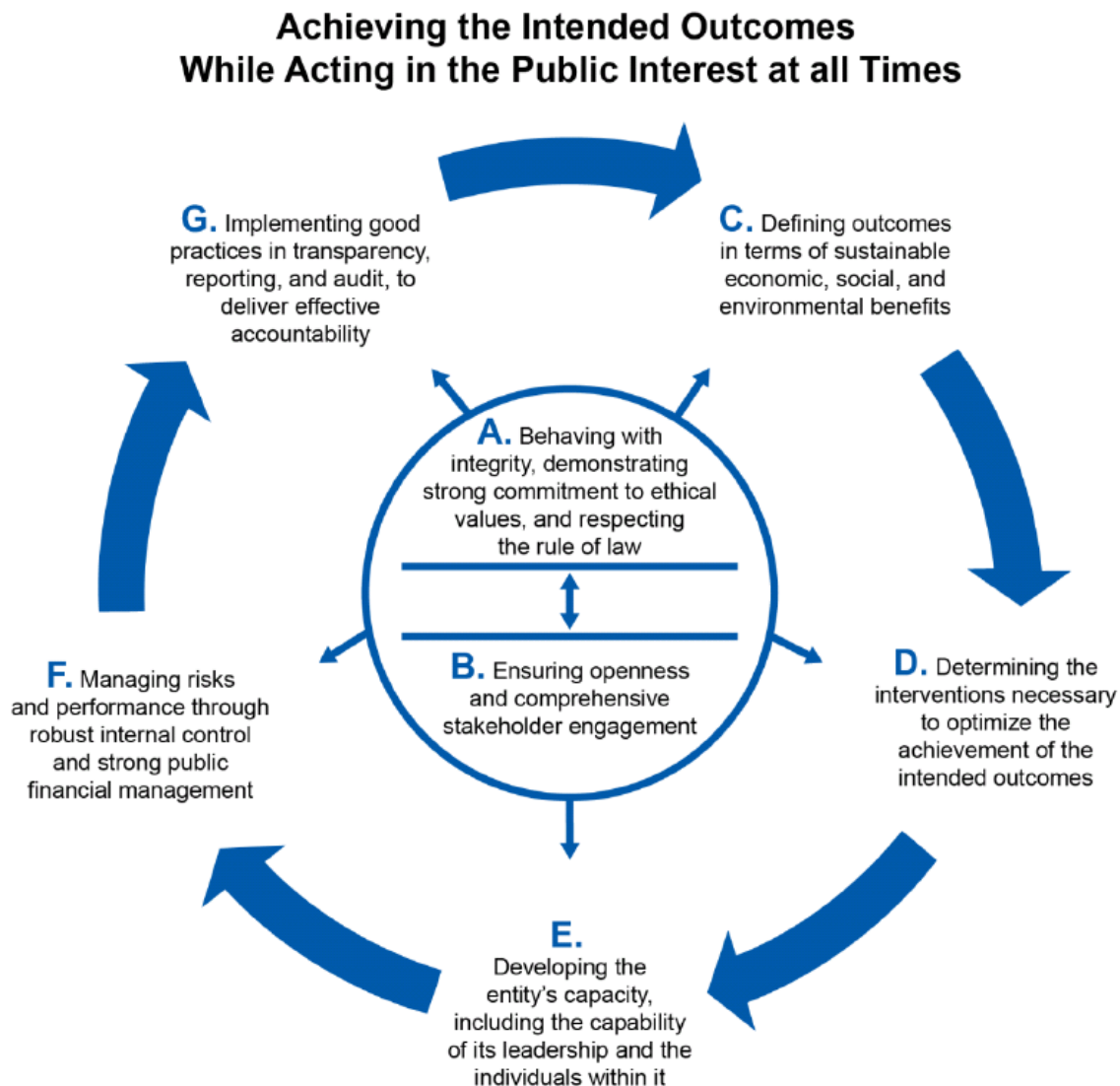
Core principles of good governance

The core governance principles of the council are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Applying the core principles of good governance

This document describes how the Council achieves the seven principles of good governance and describes how the Council's corporate governance arrangements will be monitored and reviewed.



This Code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance.

The Code will be reviewed annually through the Annual Governance Statement process, which will identify the actions to be taken to enhance the code or address any limitations with in it.

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting Principles	How does the Council achieve this?	Supporting information
<ul style="list-style-type: none"> Behaving with integrity Demonstrating strong commitment to ethical values Respecting the rule of law 	<p>The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.</p> <p>Standards of conduct and personal behaviour are set out in the Employee Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests is maintained. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles).</p> <p>The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed. The Council has appointed two "independent persons" to support this, in accordance with the requirements of the Localism Act, 2011. It has a key performance measure for the timeliness of complaint responses.</p> <p>The Council's Civic Affairs Committee is responsible for constitutional issues and ensures that the constitution is monitored and updated when required. The terms of reference of the Civic Affairs committee include responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</p> <p>The Council maintains a Whistleblowing policy to enable confidential reporting of suspected breaches of the Employee Code of Conduct or unethical behaviour. It also maintains an Anti-Fraud and Corruption Policy. Both policies are reviewed periodically by the Audit and Corporate Governance Committee.</p>	<p>Constitution</p> <p>Register of Interests</p> <p>Employee Code of Conduct</p> <p>Member Code of Conduct</p> <p>Member/Officer Protocol</p> <p>Handling of complaints, comments and compliments policy</p> <p>Terms of Reference for Civic Affairs Committee</p> <p>Constitution</p> <p>Whistleblowing Policy</p> <p>Anti-Fraud and Corruption Policy</p>

The Council's standing orders and financial regulations put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

Financial Regulations

The Council operates within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the District and its residents.

Constitution

The Council's has a Monitoring Officer, who is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Monitoring Officer Role Description and Article 12 of Constitution

The Council ensures that Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.

Recruitment, selection and training policies

The Council maintains Human Resources Behavioural Policies which are periodically reviewed.

Council Intranet (In-site) HR Policy pages

The Council has a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Regulations designed to deliver robust and fair procurement processes.

Procurement Strategy.

Contract Regulations

Principle B - Ensuring openness and comprehensive stakeholder engagement

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Openness • Engaging comprehensively with Institutional stakeholders • Engaging stakeholders effectively, including citizens and service users 	<p>The Council holds its meetings, and those of its committees and Cabinet Portfolio Holders in public unless there are good reasons for confidentiality, or a relevant exemption applies. The public are allowed to ask questions at all Council and committee meetings.</p> <p>The Council records the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and makes agenda papers and minutes available on the Council's website. The Council also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</p> <p>Officers use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</p> <p>The Council has a Joint Planning Committee with Cambridge City Council for decisions affecting growth sites bordering both Councils.</p> <p>The Council has a clear understanding of the needs of the district, strategically and locally, gathered from an understanding of our communities and the wider sub-region; ability to 'drill-down' to contextualise data which, at district-level, may hide vulnerability</p> <p>The Council uses local intelligence to shape services and partnerships e.g. Crime and Disorder Reduction Partnership.</p> <p>The Council has valued engagement mechanisms in place e.g. agents and parish forums, tenant participation group, Cabinet/Parish liaison meeting</p> <p>The Council tailors its 'offer' to suit customer need e.g. Business Hub, Key Accounts, major developments, demand-led charging structures</p>	<p>Committee Agendas</p> <p>Constitution</p> <p>Committee Forward Plan</p> <p>Agendas and Minutes of Committees</p> <p>Council Website</p> <p>Standard Report Templates</p> <p>Committee Terms of Reference</p> <p>Business Plan</p> <p>Case studies identified in Position Statement 2016 (prepared for LGA Peer Challenge)</p>

The Council operates in accordance with principles of partnership working agreed with our key partner organisations.

The Council proactively leads local partnerships e.g., monthly multi-agency meetings to share intelligence and act on issues such as anti-social behaviour and fly-tipping

The Council ensures that the authority is open and accessible to the community, service users and its staff.

The Council promotes the role of Councillors and lets the public know who the Councillors are, what roles they have on the Council and how to contact them.

The Council makes clear through its website and other Council publications the services that it is responsible for, how people can contact the Council and the service standards they can expect.

The Council undertakes surveys of residents to ensure that it has up to date information about their priorities and levels of satisfaction with the Council and its services.

The Council's consultation programme ensures that the Council proactively seeks the views of a wide range of people and engages with all sections of the community effectively.

The Council seeks to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints. The Council ensures it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining how it has reached decisions.

Constitution

Cambridgeshire Compact

Terms of Reference for multi-agency groups

Customer Service Standards

Council website.

South Cambs magazine

Council website

Council Tax leaflet

South Cambs magazine

Consultation Panel.

Business plan annual consultation and engagement.

Statement of Community Involvement

Regular consultations programme evidence on the website

Cabinet reports.

Statement of Community Involvement

South Cambs Magazine

	<p>The Council undertakes Equality Impact Assessments of all major policies and decisions and takes action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens.</p> <p>It has an Equality Scheme covering all protected characteristics under the Equality Act 2010, containing commitments which are aligned to Business Plan objectives and reviewed annually.</p> <p>The Council recognises two Trade Unions and holds regular liaison meetings involving the Chief Executive and Head of People and Organisational Development.</p>	<p>Equality Implications section in standard report template.</p> <p>Completed Equality Impact Assessments published on SCDC website</p> <p>Equality Scheme 2020-2024</p> <p>Trade Union Agreements</p>
--	--	---

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Defining Outcomes Sustainable economic, social and environmental benefits 	<p>The Council has a clear vision for the District and sets objectives to guide the Council's activities.</p> <p>It reviews those objectives each year, through Quarterly Position Report and the Business Plan and budget planning cycles.</p> <p>The Council proactively contributes to key strategic partnerships, reflecting partnership objectives within its Business Plan where appropriate e.g., Health and Well-being, Greater Cambridge Partnership, and the Business Board of the Cambridgeshire and Peterborough Combined Authority (formally LEP).</p> <p>Council Service Plans assess improvement projects for their economic, social and environmental benefits.</p>	<p>Vision</p> <p>Business Plan</p> <p>Medium Term Financial Strategy</p> <p>Business Planning Cycle and associated guidance</p> <p>Partnership objectives and websites</p> <p>Service Plans</p>

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Determining Interventions • Planning Interventions • Optimising achievement of intended outcomes 	<p>The Council has a Medium-Term Financial Strategy to resource its aspirations and to assess and plan for any financial risks. The strategy is reviewed annually.</p> <p>The Council puts service to the public first. The annual business planning process is used to agree the priorities for the Council. The Business Plan expresses the strategic objectives for the Council for over the current financial year and beyond.</p> <p>Alongside each of the objectives are detailed the outcomes to be achieved and performance measures that provide evidence that the outcomes are being delivered. This information enables members and the services contributing to the delivery of the plan to be clear about the priorities for the Council and assists in decisions about where resources should be focussed.</p> <p>Directors and Heads of Service prepare annual Service Plans indicating how they will meet objectives set in the Business Plan and setting out their priorities and work programmes for the year ahead.</p> <p>The Council's overall spending plans are set out in an annual Budget Setting report for both revenue and capital expenditure.</p> <p>There are arrangements in place for regular budget monitoring and the reporting of significant variances to senior management.</p> <p>The Council works to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options.</p> <p>The Council seeks expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services. The Council has LGA membership.</p>	<p>Medium Term Financial Strategy</p> <p>Business Plan</p> <p>Agendas for Cabinet and Council</p> <p>Quarterly Position Reports on Finance, Performance and Risk</p> <p>Service Plans</p> <p>Budget Setting Report</p> <p>Quarterly Position Reports on Finance, Performance and Risk</p> <p>Transformation Programme</p> <p>LGA Peer Challenge, November 2016 (Position Statement and Final report)</p> <p>House mark, CIPFA and Rural Services Network benchmarking.</p>

	<p>Performance against Key Performance Indicators for each service are prepared for and presented to the Corporate Management and Leadership Teams, and Members to consider necessary remedial action.</p> <p>The Council has established a Project Management Toolkit to set out practical guidance for project managers and provide standardised templates for consistency across the Council.</p>	<p>Quarterly Position Reports on Finance, Performance and Risk</p> <p>Project Management Toolkit</p>
--	--	--

Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the entity's leadership and other individuals 	<p>The Council sets out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution.</p> <p>The scheme of delegation within the Constitution makes clear which matters are reserved for collective decision-making by Council.</p> <p>A Member/Officer protocol is used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.</p> <p>The Council's Chief Executive is its Head of Paid Service and is responsible and accountable to the authority for its operational management.</p> <p>When working in partnership the Council ensures that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council.</p> <p>The behaviour expected of employees, and managers, is set out in the Council's competency framework and this is used as the basis for staff performance appraisal.</p> <p>The Council's People & Organisational Development Strategy sets out how the Council will recruit, reward, and develop its employees to reach their full potential.</p> <p>Employees joining the Council are offered an induction programme and their training and development needs are reviewed regularly through the Council's annual performance review process, which applies to all staff.</p> <p>The Council has up-to-date job descriptions. It sets and monitors clear objectives for Officers through the annual performance review process.</p>	<p>Constitution</p> <p>Member/Officer Protocol</p> <p>Partnership Terms of References</p> <p>Corporate Values</p> <p>Management Competency Framework</p> <p>Disciplinary and Grievance Procedures</p> <p>People & Organisational Development Strategy</p> <p>Induction Programme</p> <p>Performance and Development Review Scheme</p>

It agrees appropriate remuneration for officers based on a nationally recognised job evaluation scheme for the public sector, supplemented with local conventions.

The Council runs a Leadership Development programme for current and aspiring managers

The Council offers all new Members an induction programme and the opportunity to develop, with a briefing and development programme to meet their needs. The Council also provides resources for training, attending conferences/seminars and briefings in-house for all elected Members. It keeps a register of the training received by Members and involves Members in reviewing training needs and the resources available during the year.

The Council obliges Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).

The Council has developed Shared Services with their partners, and this helps to build resilience and expertise across partners.

Job Evaluation Scheme
Pay Policy

Leadership Development
Programme

Member Induction Programme
Member Training Programme

Shared Services Business Cases,
service plans and performance
reports

Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Managing Risk Managing Performance Robust Internal Control Managing data Strong public financial management 	<p>The Council has a Risk Management Strategy, supplemented by procedures and guidance.</p> <p>It undertakes systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation.</p> <p>It maintains strategic and service risk registers which are reviewed regularly.</p> <p>The Council ensures that risk management is embedded into the culture of the authority; with managers at all levels recognising that risk management is part of their job.</p> <p>Risk assessment is incorporated into the Council's decision making and Members are advised of the Council's risk profile at key stages.</p> <p>The Council respects the personal data of its citizens, employees, suppliers and others. The Council has a Data Protection Policy and publishes Privacy Notices. The Council follows best practice recognising the General Data Protection Regulation (GDPR) and Data Protection Act; and has action plans in place to ensure compliance and to respond to emerging guidance and good practice.</p> <p>The Council respects the privacy of members of the public if it has to carry out investigations under the Regulation of Investigatory Powers Act 2000, and ensures that privacy is only interfered with when the law permits and there is clear public interest justification.</p> <p>The Head of Finance is the Council's Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>Risk Management Strategy, Procedures and guidance</p> <p>Strategic and Service Risk Registers</p> <p>Performance Management Framework</p> <p>Information Governance Policies</p> <p>Website Privacy Notice</p> <p>Regulation of Investigatory Powers Act 2000 – Guidance</p> <p>Constitution - Article 12: Officers functions are responsibilities</p>

	<p>The Council's Scrutiny & Overview committee undertake constructive challenge to enhance the Council's performance.</p> <p>The Council also has clear protocols about Members' access to information and officer advice to enable them to perform their roles.</p> <p>The Council has emergency and business continuity plans in place, including co-ordination and joint working arrangements with partners.</p>	<p>Constitution</p> <p>Member/Officer Protocol</p> <p>Emergency Plan / Business Continuity plans</p>
--	---	---

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles	How does the Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> Implementing good practice in transparency Implementing good practices in reporting Assurance and effective accountability 	<p>The Council makes sure members of the public have access to information about the workings of the Council. It makes clear what information is routinely published through its Freedom of Information Publication scheme and responds promptly to requests for information. The Council publishes on its website all responses to Freedom of Information requests and has privacy notices and information-sharing agreements to ensure GDPR compliance.</p> <p>The Council publishes a Year-End Position Report and Statement of Accounts giving information on the authority's vision, strategy, performance, plans and financial statements.</p> <p>Shared services arrangements with other local authorities or partners document their governance arrangements, which are clear, open and accountable.</p> <p>The Council maintains an independent Internal Audit function, with a risk-based annual audit plan, designed to test regularly that the Council's policies and processes operate in practice and that the Council complies with legislation and good practice.</p> <p>The Head of Internal Audit produces an opinion on the Council's internal control environment and the risk management framework to meet the requirements of the Public Sector Internal Audit Standards.</p> <p>The Head of Internal Audit opinion is used to inform an Annual Governance Statement, and this is signed off by the Chief Executive and Leader of the Council.</p> <p>The Council also agrees an annual work plan with its External Auditors to test the Council's response to major legislation and the soundness of its financial and governance processes.</p> <p>Recommendations arising from internal and external audit and inspection processes are used to inform future decision-making.</p>	<p>Publication Scheme</p> <p>Freedom of Information Requests</p> <p>Year-End Position Report and Statement of Accounts</p> <p>Shared Services Collaboration Agreements</p> <p>Risk based internal audit plan</p> <p>Head of Internal Audit Opinion</p> <p>Annual Governance Statement</p> <p>Audit and Corporate Governance Committee Terms of Reference, Reports and Minutes</p>

	<p>The Major Opposition Group Leader makes an Annual Report to Council.</p> <p>The Council uses an Independent Remuneration Panel to give advice on payments to Members and considers their advice when setting the Members' Allowance Scheme. The Panel's recommendations are set out in a public report to Council. The Scheme is available to view on the Council's website and is subject to regular review.</p>	<p>Major Opposition Group Leaders Annual Statement</p> <p>Members' Allowances Scheme</p>
--	--	--

Monitoring and reporting

The Council will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The Council will prepare an Annual Governance Statement which will be submitted to the Audit and Corporate Governance Committee for consideration and will form part of the Council's annual Statement of Accounts.

The Governance Statement will include:

- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- a reference to how issues raised in the previous year's annual governance statement have been progressed; and
- a conclusion including a commitment to monitoring implementation as part of the next annual review.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and system of internal control and how these address the key risks faced by the Council. Those assurances will be available from a wide range of sources, including internal and external audit, a range of external inspectorates and managers from across the Council.

The Council will continually strive to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurances to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

Seven principles of public life

The governance framework is supported by the [seven Principles of Public Life](#), and apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

This page is left blank intentionally.



Committee update July 2022

Introduction

Overview

The purpose of this document is to provide an update to the Committee on key audit and governance themes.

The Chair suggested, at the July 2021 meeting, that a slot at the beginning of future meetings was allocated to check in on key areas of governance and provide any updates. If there are no updates in a particular area to report, that can be noted and taken as assurance.

This document provides summary updates for the Committee. Statistics are included to help provide an overview of work in progress and these are taken from the last financial quarter.

Your team

Head of Finance and Section 151 officer
Head of Shared Internal Audit
Corporate Fraud Manager
Monitoring Officer
Senior Democratic Services officer

Committee information

[Calendar of meetings](#)

[Committee Membership and Functions](#)

Governance, Risk and Control




Internal Audit updates

Below are a summary of reviews completed in the last quarter:

Review	Summary of report and actions
<div data-bbox="150 398 245 501"></div> <div data-bbox="272 389 480 533">Grant assurance – Post Payment Assurance</div> <div data-bbox="150 667 480 815"> <div>Current: Full assurance</div> <div>Previous: New review</div> </div>	<p>We have completed Post Payment Assurance Sampling (PPAS) reviews for the Department for Business, Energy & Industrial Strategy (BEIS) for the following Business Grant Schemes:</p> <ul style="list-style-type: none"> • LRSG Open • LRSG Closed Additional Tier 4 • LRSG Closed Additional November • LRSG Closed Additional January • OHLG <p>The BEIS assurance and individual scheme guidance sets out that Local Authorities have a responsibility to provide assurance to both themselves and the Department that they have followed the eligibility guidance, and so minimised the risk of errors/fraud and over/irregular payments.</p> <p>In response to BEIS sampling methodology, we provided evidence of pre and post assurance checks. This provided assurance that the business:</p> <ul style="list-style-type: none"> • meets the criteria of the grant scheme; • was not in administration, insolvent or struck off the Companies House register on the date the grant was awarded; and • the business was trading at the eligibility date <p>While it is not possible to completely eradicate the risk of fraud, these reviews have provided assurance that adequate checks were undertaken to ensure recipients were eligible with the scheme conditions, and appropriate checks were made to minimise the risk of fraud and error.</p>
<div data-bbox="150 1476 245 1579"></div> <div data-bbox="272 1467 480 1536">Payroll – Key controls</div> <div data-bbox="150 1671 480 1818"> <div>Current: Full assurance</div> <div>Previous: Reasonable</div> </div>	<p>As a key financial system, we review the core controls of the Payroll System. We focused our testing on the following areas across the financial year:</p> <ul style="list-style-type: none"> • Payroll reconciliations • Gross to Net Pay reports • Third Party Payments to HMRC and the Pension Fund. <p>Our review confirmed payroll reconciliations were being undertaken regularly, and this provided assurance for the BACS, HMRC PAYE and Pension processes. The review identified a couple of opportunities to improve the reconciliation process.</p> <p>Due to the COVID-19 pandemic, the Payroll team adapted to working remotely and there are good arrangements in place to ensure that key controls have continued to operate effectively.</p>

Review	Summary of report and actions
<div data-bbox="150 232 245 331"></div> <div data-bbox="272 219 472 286">Value Added Tax</div> <div data-bbox="145 421 501 456">Current: Reasonable</div> <div data-bbox="145 537 501 573">Previous: New review</div>	<p data-bbox="523 219 1465 398">We reviewed the policies and processes of the Finance team regarding VAT, held meetings with key Officers to discuss the operations and potential issues with VAT accounting at the Council, and conducted sample testing of invoices to determine whether or not they were coded correctly.</p> <p data-bbox="523 421 1465 533">Our review considered three main areas: the partial exemption, awareness of changes in VAT accounting, day-to-day accounting practices for VAT and concluded that controls were working well.</p> <p data-bbox="523 544 1465 656">Following our review The Finance Team will update the available VAT system codes, and provide training sessions with colleagues, to proactively reduce the risk of miscoding.</p>

Below is a summary update on our review of the Asset Register which is currently in progress:

This is an interim update on the progress of our review		
Our objectives 	Our Audit Brief	Provide independent assurance that the new CIPFA module is on course for implementation and that there is capacity for the system to be effectively maintained.
	<i>Areas of focus</i>	The main corporate risk is: 679 - Failure to produce / late certification / approval of accounts and/or to obtain unqualified audit opinion
Completed work: 	<i>Assurance</i>	<ul style="list-style-type: none"> The asset register is operational, was first used for 2018/2019 accounts, and is now embedded. The external audit review has verified that the data migrated into the system is accurate.
	<i>Lessons learnt and potential recommendations</i>	<ul style="list-style-type: none"> Smaller projects would benefit from simplified project management (including timescale, staff and expertise requirements, and Officer responsibility); Coach and train colleagues in the Accountancy Team on using the CIPFA module asset register. This will provide business continuity to mitigate a single point of failure risk;
Next steps: 	<i>These are activities we have planned next</i>	<ul style="list-style-type: none"> Continue to review the implementation and ongoing use of the CIPFA module (reconciliations, additions, disposals, depreciation, revaluations); Clarify issues with the project, and lessons to be learned for future projects;
	<i>Information which will help us to progress the review promptly</i>	<p>We paused our review to enable the Statement of Accounts work to be concluded. Discussions with key personnel (within Finance and Project Management (Transformation)) is required to progress testing.</p> <p>We expect to resume testing in last two weeks of August prior to the Accounts team commencing work on the next 2020/2021 Accounts.</p>

Based on our work to date, this is the current summary position:

Potential Assurance		
Full		<p>At this stage our testing is providing reasonable assurance that data has been migrated successfully, and controls are in place to operate the system effectively over the longer term. However, we still need to substantively test some accounting processes, and would like to see reassurance over the business continuity.</p> <p>Our review is identifying lessons learnt from the project management and implementation which could be applied to other projects, although this shouldn't impact the operation of the Asset Register going forwards.</p>
Reasonable	««	
Limited		
None		

Business Grant Assurance

The Department for Business, Energy and Industrial Strategy (BEIS) announced funding schemes to support those businesses affected by the pandemic. Details were published on our [grants and funding web-page](#).

The schemes have now closed. We processed 6825 grant applications in total through the Cabinet Office National Fraud Initiative and Spotlight system as pre-assurance checks to help mitigate the risk of fraud and error. This provided assurance that grant applications were made from legitimate businesses.

We have now also provided post payment assurance on the schemes back to BEIS.

Overall assurance

The internal audit work and assurance mapping enables us to form an opinion on the internal control environment, governance and risk management arrangements.

There is currently a Reasonable level of assurance overall, which is similar level to the previous period.

Reviews in Progress and forward planning

Our current planned assurance and follow-up reviews include:

- Capital – Asset Register
- Corporate complaints and feedback
- Carbon Management
- Accounts Payable – Master data
- Grant Assurance – COMF schemes
- Counter Fraud – Whistleblowing Framework
- Disabled Facility Grants

In addition, we have been completing reviews for Ermine Street Homes, where the Council is a stakeholder.

We are also providing consultancy advice, on internal controls for grant and payment schemes such as Energy Rebate and Ukraine Homes, and emerging risks.

Counter Fraud update

Key Amnesty Project

The Corporate Fraud Team are working in partnership with SCDC Housing, in consultation with the Housing Engagement Board (HEB) to deliver a Key Amnesty project planned to be offered in November 2022.

In 2012 it was estimated that more than 100,000 social homes in the UK were the subject of some form of tenancy fraud.

Housing tenancy fraud is when social housing is used by someone who is not entitled to occupy the property.

It includes:

1. Subletting without permission;
2. Providing false information on applications for housing;
3. Wrongful tenancy assignment and succession;
4. Failing to use the property as the only or principal home;
5. Abandoning the property without proper process; and
6. Selling the keys to someone else.

Under the scheme tenants who are committing tenancy fraud have the option to surrender their keys, without facing prosecution.

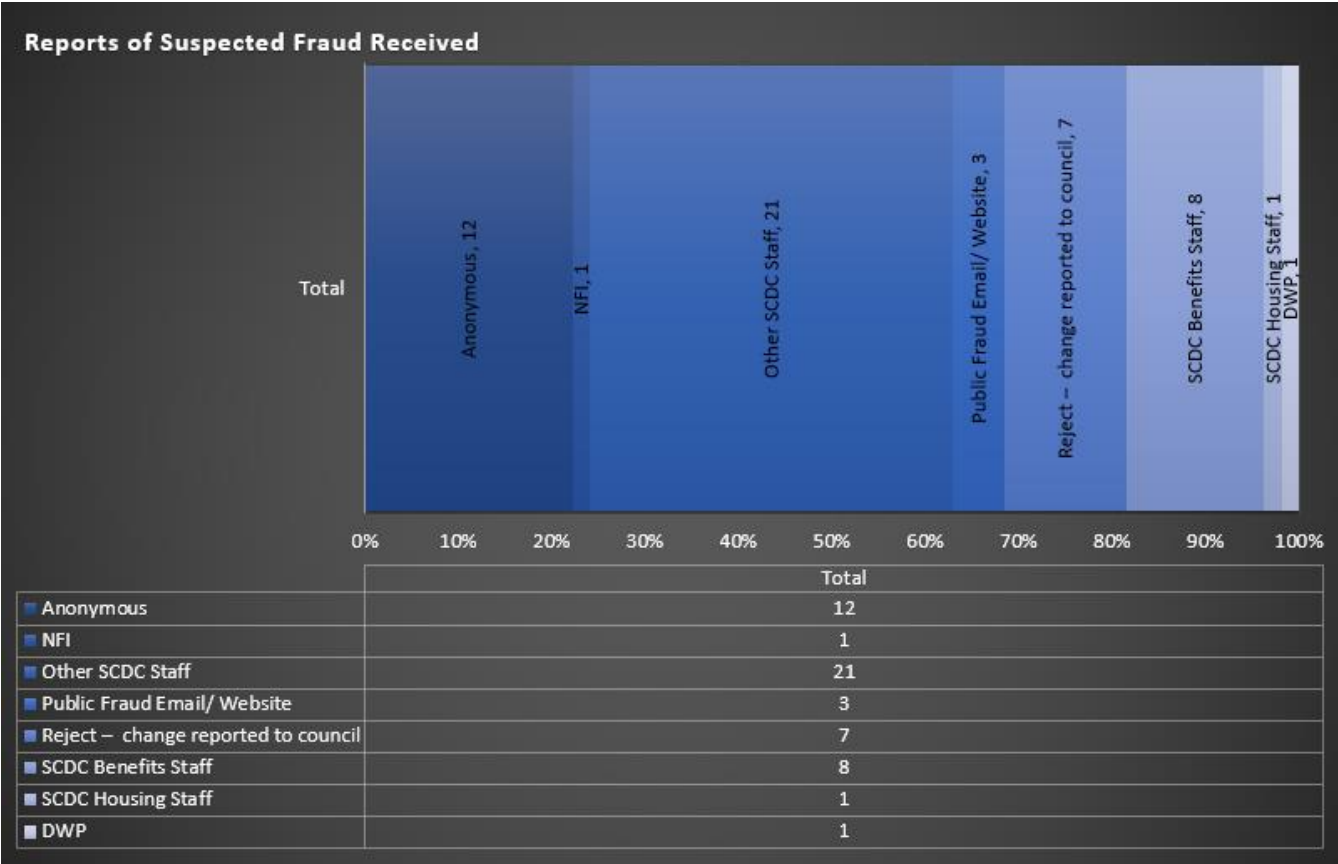
The Covid 19 Pandemic has generated the most significant social change since the second world war. When Britain entered Lockdown families made significant changes to their home and working lives, staying at home and joining households to share childcare responsibilities. In response to the unprecedented circumstances created by the CV Pandemic crisis it is proposed that the authority offers a 'Key Amnesty' to those whose circumstances have changed and who have failed to fulfil their legal obligations.

Fraud Team Statistics – our quarterly position

We have included some fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress, and specific individual details are not disclosed due to sensitivity and risk of compromising any investigations in progress.

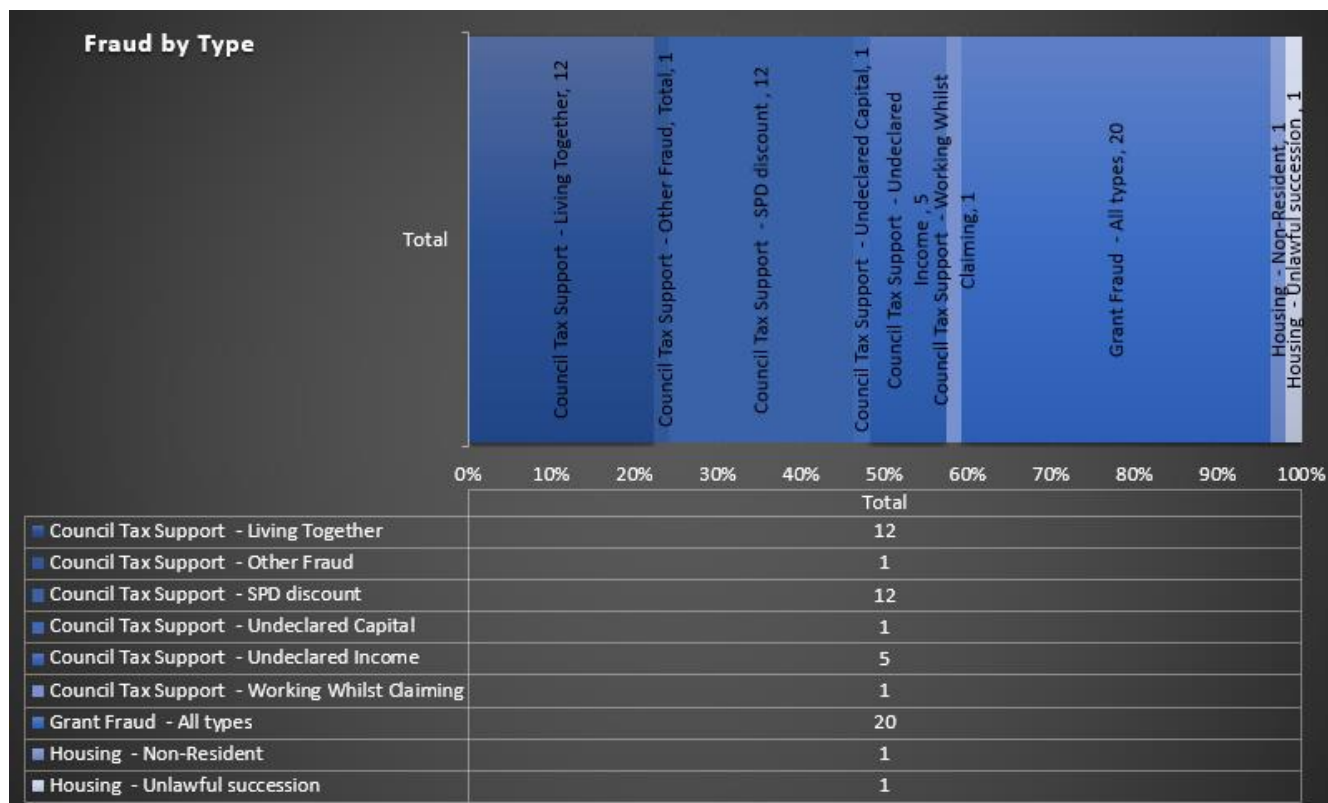
Reports of suspected fraud received

Analysis by the source of intelligence:



Fraud by type

Analysis by fraud type:



Investigations in progress (as of 31st March 2022)

Case Status	Number of Cases	Key
Live Investigation	36	
Interview Under Caution (IUC)		
Sanction decision		
Criminal Prosecution Administrative Penalty Caution Prosecution and Civil action Civil Warning Letter No Further Action Notice to quit (Secure or flexible tenancy) Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible)		

Investigations Closed

Closure Reason	Number
A14 Uneconomical to investigate	12
A10 Fraud proven but no further action	
A11 Not investigated, passed for visit	
A13 Not investigated - not on benefit	
A4 Closed - claimant error only	
A5 Closed - no fraud established	
A7 Not investigated - passed to DWP (Department for Work and Pensions)	

Proactive work – Prevention

Prevention is an important aspect of our Counter Fraud arrangements.

Education	Prevention advice in connection with Omicron to businesses.	Advice to Licensing. Housing Tenancy Article.
Workshop Attendees	NIL	
Campaign work	NIL	
Other		
Verification checks		
Right to buy verification enquiries reported	5	
Outstanding RTB Docs/Visit	0	
Homelessness verification enquiries reported	0	
General housing verification enquiries	5	
Ermine Street		
Locta	5	
LAIEF's	1	
General	3	
Data Protection Act requests - External		
National Fraud Initiative Matching		
Biennial exercise – records closed	54	
Annual exercise CT (Council Tax) / SPD (Single Person Discount) – records closed	2	

RIPA (Regulation of Investigatory Powers Act) update

Cases of RIPA used in period:	0
-------------------------------	---

Useful Links

Link	Details
Public Sector Audit Appointments	PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.
EY.com	EY (Ernst & Young) is our current externally appointed auditor
Cabinet Office NFI (National Fraud Initiative)	The National Fraud Initiative is a data matching exercise which helps public sector organisations to prevent and detect cases of fraud and error.

Training and development

Audit Committee Guidance

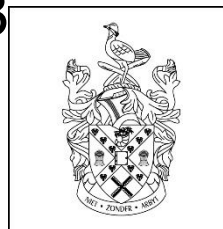
Government has published the consultation response to the [Local Audit Framework](#). An outcome of this includes reviewing the role of Audit Committees. We reviewed the Committee Terms of Reference to the CIPFA best practice guidance in 2019.

CIPFA have since published a [Position Statement](#) in April 2022 and will be issuing revised guidance soon.

Based on the Government consultation we expect that there will be a mandatory requirement to incorporate an independent member, which we have discussed in previous meetings.

Note

This document will have links to external websites where it provides more information. We are not responsible for the content of external websites.



REPORT TO: Audit and Corporate Governance Committee
LEAD OFFICER: Head of Shared Internal Audit

28th July 2022

Internal Audit Plan and Opinion

Executive summary

1. This report introduces the proposed Internal Audit Annual Plan and Strategy for the next six months of the 2022 / 2023 financial year, for consideration by the Audit and Corporate Governance Committee.
2. The report also includes a progress update from the past six months work, plus our current opinion on the internal control environment, governance and risk management arrangements.
3. Internal Audit Plans, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).

Key Decision

4. This is not a key decision because the risk based Internal Audit Plan is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

5. The Audit and Corporate Governance Committee is requested to consider the supporting information, in the appendices, to:
 - (i) approve the draft Audit Plan and Strategy; and
 - (ii) approve the supporting Charter and the Code of Ethics.

Reasons for Recommendations

6. The Internal Audit Plan, and associated documents, have been created in line with best practice laid down in the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).
7. The Internal Audit Plan should help add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

Details

8. The Accounts and Audit Regulations 2015 require that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.”
9. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”.

10. The PSIAS also requires the Head of Audit to provide a written report to those charged with governance to support the Annual Governance Statement (AGS), which accompanies the Statement of Accounts. This includes an opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework.
11. Appendix A is the risk based Internal Audit Plan which is continually updated. It has been based upon the Business Plan, risk registers, ongoing consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.

Considerations

12. The plan is the work programme for Internal Audit and provides the basis upon which the service will subsequently give an audit opinion on South Cambridgeshire District Council's (SCDC) system of internal control, risk management and corporate governance arrangements. Progress against the plan, and updates, will be regularly reported to the Committee.
13. It is good practice to operate an agile audit plan that continuously adapts in response to the governance risk and control environment of the Council. Our Audit Plan is based around a long-term framework of reviews, which typically covers a three-year period. Audits are prioritised according to several risk-based determinants. We are presenting a shorter 6-month plan, focussing on the key areas of assurance and we will bring back a further report to the Committee later in the year. This will also provide an opportunity to proactively communicate topical risks and assurance to the Committee.
14. Appendix B provides a progress update from the past six months, plus the current opinion on the overall adequacy and effectiveness of the organisation's internal control environment, governance, and the risk management framework
15. The Internal Audit Charter (Appendix C) and the Code of Ethics (Appendix D) are also appended for information. They are regularly reviewed as part of an ongoing Quality Assurance and Improvement Programme (QAIP) considering both the PSIAS and the LGAN. No changes have been made this year. It is good practice to present these documents annually as they define internal audit's purpose, authority, responsibility and position within an organization, supporting the risk-based audit plan.

Options

16. The Committee should review the plan and consider if there are any further pieces of work where they would welcome assurance.

Implications

17. 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 to the Council.

Background Papers

18. Background papers used in the preparation of this report:
 - Risk-Based Internal Auditing – Working Standards and Procedures
 - Public Sector Internal Audit Standards
 - South Cambridgeshire District Council Risk Registers
 - Business Plan

Appendices

19. Appendices to this report include:
- a) Internal Audit Plan and Strategy
 - b) Progress Update
 - c) Internal Audit Charter
 - d) Internal Audit Code of Ethics
 - e) Glossary of Terms

Report Author:

Jonathan Tully – Head of Shared Internal Audit
Telephone: (01223) 458180
Email: jonathan.tully@scambs.gov.uk

This page is left blank intentionally.

Appendix A – Internal Audit Plan 2022/2023



South Cambridgeshire District Council

1 Introduction

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance."
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".
- 1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Head of Shared Internal Audit to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management

and control. This opinion is provided to the Committee and also feeds into the Annual Governance Statement. The team also completes consulting services. These are advisory in nature, and are generally performed at the specific request of management with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2 Strategy

- 2.1 Greater Cambridge Shared Audit was established as a shared service between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) in 2017.
- 2.2 Our aim is to deliver a co-ordinated audit plan for both Councils.
- 2.3 There are already a number of shared services, and this joint approach enables work to be undertaken which reflects the priorities for both Councils whilst getting the benefits of co-ordinated reviews which can be covered in partnership.
- 2.4 The strategy, and vision, of the Internal Audit team is: "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

3 Internal Audit Plan

- 3.1 Our work will support the Council's corporate objectives, and the corporate governance framework.
- 3.2 The plan has considered the Corporate Plan, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 3.3 This identifies potential reviews, which are subsequently prioritised. Factors taken into account include materiality; corporate importance, vulnerability, risks and opportunities. The overall aim is to add value by providing assurance, reducing risk and improving controls.
- 3.4 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in the continually changing risk and control environment. The risk-based planning approach enables the plan to be updated when new reviews are identified. The plan will be reviewed and monitored throughout the year, with regular updates reported to the Audit & Corporate Governance Committee.
- 3.5 The internal audit work should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally the plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Head of

Shared Internal Audit to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

4 Resources

- 4.1 Resource requirements are reviewed each year as part of the audit planning process. The current establishment for the audit team enables sufficient resource to deliver our risk-based plan.
- 4.2 The broad scope of activities within the Council means that demand for potential reviews will exceed the number of available days within a year. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.
- 4.3 The Internal Audit plan needs to be agile and flexible enough to enable the Internal Audit service to be reactive as required to situations arising during the course of the period covered by the plan.
- 4.4 Time allocations within the plan are based on planning, plus experience from previous reviews. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation.

5 Risk Insight

- 5.1 As part of our planning process, we consider risks: locally in the Council, across our professional sectors and also globally.
- 5.2 The topical risk themes, highlighted below, help to inform our plan and areas that would benefit from assurance.



6 Assurance Type and Key Themes

6.1 As in previous years, Internal Audit will continue to support the governance, risk and control environment within the Council. There will continue to be liaison with key stakeholders, such as the external auditors so that resources are used effectively.

6.2 The main types of our audit and assurance work are:

Resource area	Details
Corporate Plan Objectives	Our audit plan is risk based and coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently. The plan is grouped by the key objectives of the Council.
Core Assurance	We undertake audits reviews which aim to provide assurance that corporate systems and processes are robust and protect the Council. These will typically involve work around key financial systems, management controls, statutory reviews and programmed annual assurance.
Third party	We will take assurance from third parties where appropriate. This could include audit or review work in partnerships where another organisation is the lead stakeholder, or where a third party with professional expertise or a legal obligation has undertaken a review. If the outcome of these reviews impacts the control environment this may prompt us to undertake our own work in this area.

6.3 For each audit review, a brief description of the scope for the work is provided together with the type of audit. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

- 6.4 Our reviews are categorised by themes to help us communicate the areas of focus. Our key themes for 2022 / 2023 include:

Theme	Details
Transformation	The Council continually seeks continuous improvement. We will proactively support this process as new opportunities are identified. We will also review any new key systems, once they are implemented, for benefits realisation and to provide assurance that key controls continue to operate effectively.
Resilience and recovery	The plan will need to reflect the continuous changing risk and control environment following major events which are driving rapid change across the Council. Recognition that hybrid working practices may lead to further change in working practices. We will add value to the Council by providing real-time assurance on new and developing processes and controls.
Governance	We will review key governance areas where there is a statutory requirement to undertake specific work, and this will feature in the Annual Governance Statement.
Counter fraud	The fraud risk profile increased during the COVID-19 pandemic as fraudsters identified the opportunity to take advantage of reduced internal controls and the urgency of government led support. We continue to be alert to these risks and will review the controls in place.
Environmental	This is a key objective for the Council and nationally. Consequently, this features in our planning approach.

7 Follow-ups

- 7.1 To ensure that agreed actions are being implemented, follow-up work will be carried out. If a review resulted in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

8 Other activities

- 8.1 In addition to delivering the risk-based audit plan, resources are allocated to deliver other consultancy-based activities. These are categorised as Governance, Risk and Control, and Other Resource Provisions. The output of this work may also provide assurance on the control environment. Examples include:

Theme	Details
Advice and consultancy	Participating in working groups such as information governance, procurement and project management
Anti-fraud and corruption	Responsive, proactive work and data analytics
Governance	Activities which help deliver the assurance framework including Annual Governance Statement, Risk Management

9 Summary

- 9.1 The draft internal audit plan will add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

10 Internal Audit Plan

- 10.1 The table below provides an overview of the expected allocation of work in our plan for the next 12 months, by Resource area, and a comparison with the previous year.

Resource area	Days	Current year	Previous Year
Corporate Plan Objectives	164	41%	21%
Core Assurance	67	17%	13%
Governance, Risk and Control	72	18%	18%
Other resource provisions	97	24%	48%
Grand Total	400	100%	100%

There has been a shift from “Other resource provisions” to “Corporate Plan Objectives”. We expect to be undertaking more risk-based assurance work in comparison to the previous year, as last year we spent a significant amount of time supporting the Business Grant process. However, this shift will depend on other emerging events which may benefit from Internal Audit consultancy support, such as Ukraine and the Cost of Living.

An increase in Core Assurance reflects the requirement for us to complete statutory activities, such as certifying grant claims from Central Government. This will probably reduce over the longer term.

A more detailed breakdown of planned audit work for the next six months is given on the pages that follow.

Corporate Plan Objectives and Core Assurance

- 10.2 Corporate Plan Objectives are reviews of systems and processes which have been risk appraised. Where possible they are aligned to the [Business Plan Objectives](#) to demonstrate how they support the Council.
- 10.3 Core Assurance work involves reviews of systems that are fundamental to the Council's governance, risk and control environment. They provide assurance to the s.151 officer for their commentary included in the authority's Annual Statement of Accounts. This type of work will also include mandatory activities, such as providing assurance to third parties, such as Central Government, and can also help to provide assurance for the External Auditor.

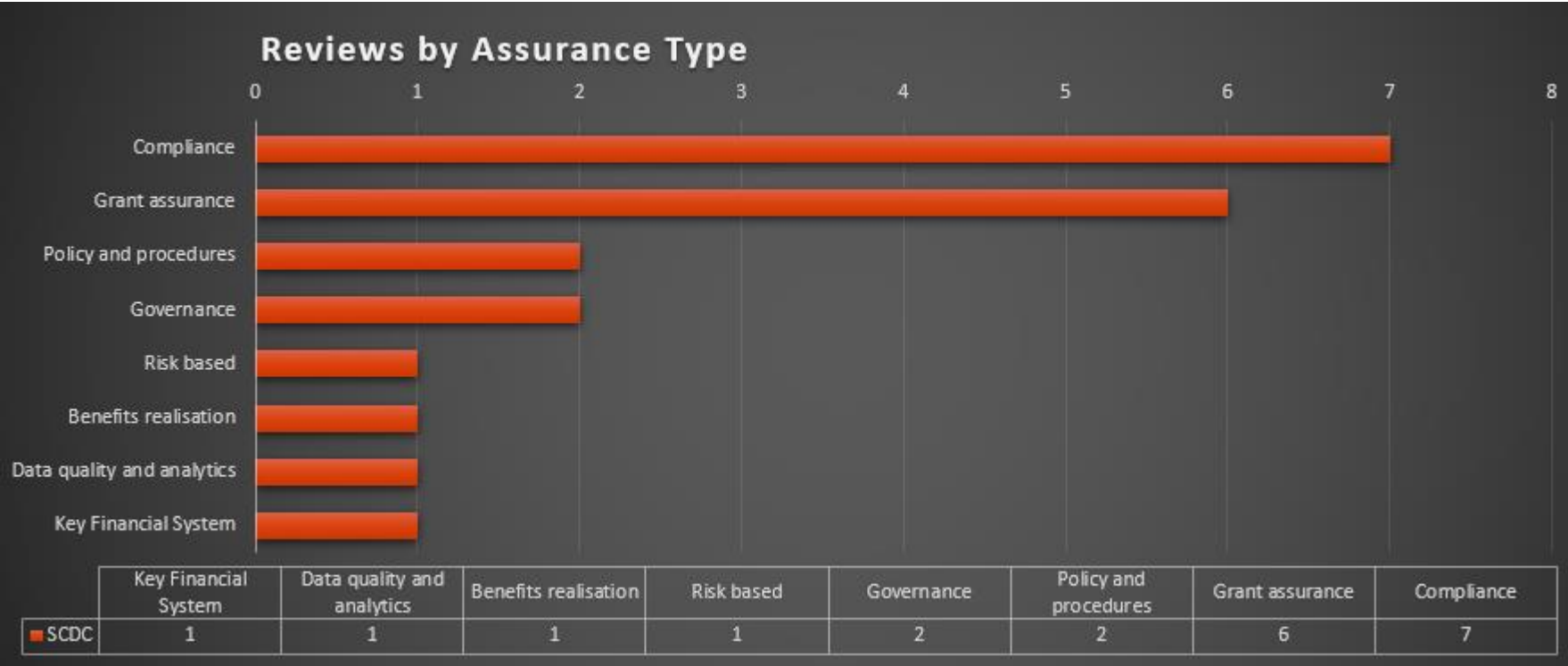
The reviews planned for the next six months are listed in the table below:

Audit	Assurance type	Progress update	Scope and description
Corporate Plan Objectives			
Capital – Asset Register	Benefits realisation	This work is in progress	Provide independent assurance that the new CIPFA module is on course for implementation and that there is capacity for the system to be effectively maintained.
Corporate complaints and feedback	Compliance	This work is in progress	Review of the complaints process to provide assurance that it is effective in helping the Council to continuously improve its services.
Counter fraud - Whistleblowing	Policy and procedures	This work is in progress	Programmed review of the policy framework to best practice to inform policy revision.
VAT	Compliance	This work has been finalised in this quarter	Key controls audit as part of cyclical review of core systems, NFI testing, and review of VAT rate changes in response to CVD19

Audit	Assurance type	Progress update	Scope and description
Financial Management Code	Policy and procedures	This work is in progress	To provide assurance that the Council has effectively implemented a Financial Management Code.
Carbon management - Data Quality	Data quality	This work is in progress	Council carbon emission data is collected to produce an annual Greenhouse Gas report. Data is quality assured by Internal Audit before being published.
Carbon management – Strategy	Risk based	This work is scheduled for later in the year.	Supplementary review to provide assurance that Strategy continues to reflect best practice.
Risk management	Follow-up	This work is scheduled for later in the year.	Follow-up review to ensure that actions from the previous review have been implemented successfully.
Information Governance - GDPR	Compliance	This work is scheduled for later in the year.	Time allocated for a review of a selection of thematic areas.
Core Assurance Work			
Payroll – Core controls	Key Financial System	This work is scheduled for later in the year.	An annual review focussing on the key controls that support the system..
Grant assurance - Disabled Facility Grant	Grant assurance	This work is scheduled for later in the year.	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Financial Management Code	Policy and procedures	This work is in progress.	To provide assurance that the Council has effectively implemented a Financial Management Code.

Audit	Assurance type	Progress update	Scope and description
Grant assurance – other Business PPAS	Grant assurance	This work has been finalised in this quarter	PPAS is the BEIS term for Post Payment and Assurance Sampling. We will sample test grant payments to provide Central Government with assurance that effective internal controls were in operation throughout the grant process. Target timeline to be defined by BEIS.
Grant assurance – Homes for Ukraine	Grant assurance	This work is in progress	Controls evaluation of new procedures developed at pace. Further sample testing of payments to provide assurance that effective internal controls are in operation throughout the payment allocation process.
Grant assurance - Energy Rebate Schemes	Grant assurance	This work is in progress	Controls evaluation of new procedures developed at pace. Further sample testing of payments to provide assurance that effective internal controls are in operation throughout the payment allocation process.
Grant assurance - COMF	Grant assurance	This work is in progress	Assurance to the UKHSA that grant funding for Covid Outbreak Management has been spent according to the determination conditions
Ethics, Culture and Governance	Governance	This work is scheduled for later in the year.	Each year we will allocate some resource to assess and make appropriate recommendations to improve the organisation's governance processes, including promoting appropriate ethics and values within the organisation.
Program assurance - ISO14001	Compliance	This work is scheduled for later in the year.	Allocation of resource to provide independent assurance for the continuous ISO program for environmental standards. This may be a two-stage review.
Program assurance - ISO9001	Compliance	This work is scheduled for later in the year.	

Our plan is also categorised by the type of assurance provided to illustrate the types of reviews being completed:



This illustrates that a significant volume of out time is spent on Compliance and Grant assurance allocation for the first 6 months of the year.

Governance, Risk and Control

- 10.4 Each year the Council issues a statement on the effectiveness of its governance arrangements. Internal Audit completes work which supports the production of the Annual Governance Statement throughout the financial year. This includes:

Activity	Audit scope and description
Annual Audit Opinion	This is the annual report, produced by the Internal Audit lead for their relevant audit committee, to provide an opinion on the state of governance and the internal control framework in place within the Council.
Internal Audit Effectiveness	A regular review of the Internal Audit service, to the Public Sector Internal Audit Standards and the Local Government Application Note, is completed. This is also known as a Quality Assurance and Improvement Program.
Annual Governance Statement	Internal Audit supports the development of the Annual Governance Statement, the associated Action Plan and review of the Local Code of Governance.
Prevention of Fraud and Corruption	Internal Audit supports development and awareness of fraud and error risks across the Council. A summary is reported annually to the Audit & Corporate Governance Committee on the status and levels of fraud, whistleblowing and corruption within the Council. A national survey is completed annually to help identify potential fraud risks. In addition, Internal Audit co-ordinates, the National Fraud Initiative, a proactive data matching exercise, and is a key contact for data analytical tools.

Other resource provisions

- 10.5 Throughout the year, audit activities will include reviews that have not been specified within the Audit Plan, including management requests as a result of changing risks; following up agreed audit actions and completion of audit works from previous plans. Examples include:

Activity	Audit scope and description
Carry forward activities	A number of reviews continue from the previous plan, due to other activities taking precedence e.g. investigations or corporate projects.
Follow up provision	A number of audits completed in previous years, where there have been concerns identified, are followed up to ensure that agreed recommendations have been implemented. A resource is maintained for administration, review, and sample testing.
Contingency: requested work / advice / irregularities	<p>Internal Audit act as a focal point to assist officers across the Council in providing advice / support in relation to projects; contracts; procurement or general controls.</p> <p>No matter how robust services and processes are, there is always the potential for anomalies to occur. Internal Audit assists by providing pro-active counter fraud work; and reactive work for suspected irregularities and whistleblowing referrals.</p> <p>An element of time has been set aside to allow for these activities within the plan.</p>

Appendix B – Progress update and Opinion

1 Introduction

- 1.1 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit & Corporate Governance Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.
- 1.2 The purpose of this report is to provide an update on the recent work completed by internal audit and report our overall opinion on the control environment. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.
- 1.3 Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report. If a review has either “Limited” or “No” assurance, the system is followed up to review if the actions are implemented promptly and effectively. Further information is available in Appendix E – Glossary of terms.

2 Resources and team update

- 2.1 An audit plan is presented at least annually to the Audit & Corporate Governance Committee. It is good practice to continually review the plan, to reflect emerging risks, revisions to corporate priorities, and changes to resourcing factors.
- 2.2 The team is currently fully resourced. We have maintained our periodic PSIAS assessments and identified learning and development opportunities for the team in 2022/2023.
- 2.3 At the July 2020 meeting the Committee approved our current approach to an audit plan and that, moving forwards, a six-month plan was the most appropriate approach. This gave us the flexibility to respond to emerging events and deliver an audit plan that added value to the Council.
- 2.4 As anticipated, we have been providing the Council with support on Business Grant stimulus packages. The amount of resource required for this activity has impacted our normal assurance work. However, we are pleased to have still completed audit reviews in the period as this enables us to provide an opinion for the Annual Governance Statement.

- 2.5 Progress of the plan delivery has been regularly reported to the Committee through quarterly Audit & Corporate Governance updates, to help provide prompt assurance.

3 Assurance

- 3.1 The audit plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). This opinion will inform the Annual Governance Statement.
- 3.2 Our work is carried out to assist in improving control. Management maintains responsibility for developing and maintaining an internal control framework. This framework is designed to ensure that:
- the Council's resources are utilised efficiently and effectively;
 - risks to meeting service objectives are identified and properly managed; and
 - corporate policies, rules and procedures are adequate, effective and are being complied with.
- 3.3 Assurance is received from a number of sources. These include the work of Internal Audit; assurance from the work of the External Auditor; the Annual Governance Statement together with the Local Code of Corporate Governance and the Risk Management process. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.
- 3.4 If the audit reviews undertaken 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 & Corporate Governance Committee.
- 3.5 It is the opinion of the Head of Shared 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, governance and risk management arrangements. This remains at a similar level to the previous period, based on the outcomes of our work, however we recognise the risks and challenges that the Council has faced with recent global events and the potential impact this has on the control environment. Consequently, our ongoing audit plan now features Resilience and Recovery as one of our key themes.

4 Independence and Objectivity


- 4.1 It is important that the Internal Audit service is sufficiently independent to provide an objective annual opinion. We safeguard against any potential ethical threats by preparing an Internal Audit Code of Ethics, which is presented to the Committee annually.
- 4.2 During the past year there has not been any impairment in independence or objectivity to the Head of Shared Internal Audit or the service itself.



5 Added Value Services


- 5.1 Although our primary responsibility is to give an annual assurance opinion it is also important that the Internal Audit service adds value to the organisation.
- 5.2 There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the year include providing advice / input to support a number of projects and key working groups, such as supporting the Business Grants process.


6 Progress against the plan

The following table summarises reviews with an audit opinion which have reached completion since our previous progress report. We have reported updates on the progress of these reviews in our previous quarterly Audit & Corporate Governance updates.

Audit	Assurance and actions	Summary of report and actions
<p>Grant assurance – Disabled Facility Grant</p> 	<p>Assurance:</p> <p>Current: Reasonable</p> <p>Previous: Limited</p> <p>Actions:</p> <p>Critical 0</p> <p>High 0</p> <p>Medium 3</p> <p>Low 0</p>	<p>Central Government funding is allocated to the County Councils as part of the Better Care Fund. A proportion of this is allocated to District Councils to enable them to carry out improvements to housing stock, and for disabled adaptations.</p> <p>We reviewed a sample of grants from the financial year, plus their supporting documentation and transactions. This provided assurance that:</p> <ul style="list-style-type: none"> • grant applications were legitimate, and applicants were eligible; • applications were supported by qualified independent medical referrals; • applications were processed promptly; • suppliers and contractors were appropriately procured, and awarded based on value for money; • any project cost variations were appropriately reviewed and approved; • financial records were completed and reconciled; • projects were effectively managed by the Home Improvement Agency; and • grants were used for capital expenditure as per the MHCLG conditions. <p>Our testing identified an immaterial error, and some HIA fees from the period which still needed to be invoiced. These were easily rectified, and the team has agreed three actions that will help improve their internal processes.</p>

Audit	Assurance and actions	Summary of report and actions
Planning – Performance Management 	Assurance: Current: Reasonable Previous: Limited Actions: Critical 0 High 2 Medium 1 Low 0	<p>We have reviewed Planning Performance Data for Q2 2021 (Apr – Jun) which was finalised at the end of August for Department for Levelling Up, Housing and Communities (DLUHC) previously known as MHCLG. This was an opportunity to evaluate controls and processes which were implemented in May, following our previous review which provided limited assurance.</p> <p>Our review concluded that the controls have been implemented, and there is a Reasonable level of assurance. This was reported to the Scrutiny and Overview Committee on the 11th November.</p>
Program assurance - ISO14001 & ISO9001 	Assurance: Current: Reasonable Previous: Reasonable Actions: Critical 0 High 0 Medium 0 Low 0	<p>We maintain an allocation of resource to provide independent assurance for the continuous ISO program for environmental standards and quality standards.</p> <p>This supports the periodic BSI inspection, and there were no significant non-conformities arising in the period.</p>

Audit	Assurance and actions		Summary of report and actions
<p>Grant assurance – Wet Led Pub scheme</p> 	<p>Assurance:</p> <p>Current:</p> <p>Previous:</p> <p>Actions:</p> <p>Critical</p> <p>High</p> <p>Medium</p> <p>Low</p>	<p>Full</p> <p>New review</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>We completed the Christmas Support Payment for Wet Led Pubs Post Payment Assurance Verification process (PPAS).</p> <p>The BEIS assurance and individual scheme guidance sets out that Local Authorities have a responsibility to provide assurance to both themselves and the Department that they have followed the eligibility guidance, and so minimised the risk of errors/fraud and over/irregular payments.</p> <p>In response to BEIS sampling methodology, we provided evidence of pre and post assurance checks.</p> <p>This provided assurance that the business:</p> <ul style="list-style-type: none"> • meets the criteria of the grant scheme; • was not in administration, insolvent or struck off the Companies House register on the date the grant was awarded; and • the business was trading at the eligibility date

Audit	Assurance and actions	Summary of report and actions
<p>Carbon Management</p> 	<p>Assurance:</p> <p>Current: Reasonable</p> <p>Previous: Limited</p> <p>Actions:</p> <p>Critical 0</p> <p>High 0</p> <p>Medium 0</p> <p>Low 1</p>	<p>We completed a data quality assessment of the records and calculations used to support the annual report to Climate and Environmental Committee on the Authority's carbon emissions for 2020/21.</p> <p>We reviewed information presented in the draft annual report, the spreadsheet calculations, and sample tested available supporting data for accuracy. As a result of this work, we are able to confirm that:</p> <ul style="list-style-type: none"> • calculations and formulas have been accurately applied in the establishment of individual and total carbon emissions figures with any minor adjustments being flagged with officers during completion of our review for inclusion in the final Committee report; • source data was verified for the majority of datasets, however there is scope for further improvement by using actual consumption data rather than estimated or suppliers projected consumption figures in respect of some datasets (e.g. electricity); and • adjustments in respect of shared service arrangements are appropriately reflected in consumption data/emissions calculations. <p>Overall, the reporting and calculation process is robust. As part of the review process, we have also shared advice and tips on data collection, management and presentation where we identified opportunities for improvement.</p>

7 Counter fraud and corruption update

National Fraud Initiative

- 7.1 The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Nationally it is estimated that this work has identified £1.69 billion of local authority fraud, errors and overpayments since 1996. Historically this process has not identified significant fraud and error at South Cambridgeshire District Council, and this provides assurance that internal controls continue to operate effectively.
- 7.2 We have continued to work on the 2020/2021 exercise, in partnership with the Fraud Team, and Revenues and Benefits teams, and have recently uploaded new datasets for the Business Grant Schemes to supplement our own data matching.

8 Other audit and assurance activity

Business Grants

- 8.1 The team has been assisting the Council with delivery of Central Government funded Business Grant schemes. This work has included undertaking fraud and error risk assessments, so that we can proactively advise on the design of low friction controls.
- 8.2 To help safeguard the public purse and ensure that funds are provided to legitimate applicants, we have developed a post-assurance plan, which sets out checks and tests.
- 8.3 We are utilising government recommended tools to check applicants for compliance with scheme eligibility. In addition, we have also designed our own local assurance tools, and this has helped us to proactively prevent some applications that were non-compliant with the regulations.
- 8.4 We have completed assurance reporting to Central Government and also worked with Counter Fraud agencies to share intelligence on areas of fraud risk.
- 8.5 We are also expecting to provide reporting to HMRC on grant data, which will be used in a similar data matching process, as payments were taxable.
- 8.6 The work helps the Council to have assurance that it has taken proportionate and effective controls to mitigate the risk of fraud and error.

Public Sector Internal Audit Standards

- 8.7 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the Internal Audit activity. External assessments must be conducted at least once every five years by a qualified, independent assessor. In 2018 CIPFA independently verified that we “**Generally Conform**” with the Public Sector Internal Audit Standards (PSIAS) and the accompanying Local Government Application Note (LGAN).
- 8.8 We completed our annual internal review process which provides assurance that we continue to meet the standards. We recognise that the impact of Covid-19 has meant that, while we have completed a reasonable volume of audit work, the breadth of coverage has reduced in comparison to previous years. This can potentially reduce our ability to provide a comprehensive annual opinion on the overall control environment. Consequently, the risk of not complying with the standards has significantly increased, although we expect the risk to be reduced as we return to more normal ways of working. We have been responding to guidance issued by our professional bodies, undertaking pandemic related risk assessments, and adapting our assurance approach to help maintain compliance with the standards.

Governance

- 8.9 We facilitated the review of the Annual Governance Statement, and updating the Local Code of Governance, which accompanies the Statement of Accounts.

Risk management

- 8.10 We have continued to provide support on the identification of risks and controls as part of our Internal Audit Plan.

9 Conclusion

- 9.1 The work carried out by the Internal Audit Team conforms to the Public Sector Internal Audit Standards.
- 9.2 A continuous risk-based audit plan is completed, providing assurance. The team also provides added value consulting activities such as providing advice and fraud and error activities.
- 9.3 The audit work completed has provided sufficient coverage to enable Internal Audit to form an opinion on the internal control environment, governance and risk management arrangements. There is Reasonable assurance awarded during the year, and this remains at a similar level to the previous period.

Appendix C – Internal Audit Charter



Our vision:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

May 2022

Next Review: By February 2023

Version Control: 1.05

1 INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013, and are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) now provide a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The Standards have been revised from 1 April 2017 to reflect the latest changes in the IPPF. In addition the PSIAS are supported by a Local Government Application Note (LGAN), published by the Chartered Institute of Public Finance and Accountancy to provide relevant sectoral requirements guidance.
- 1.3 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within the Council; its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the relevant audit committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2 PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:
"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 2.2 However, it should also be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3 AUTHORISATION

- 3.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015¹, which state that

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 3.2 There are additional requirements placed upon the Chief Audit Executive (see Section 4: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations, with Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer.

- 3.3 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation’s:

- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
- Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
- Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

- 3.4 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

4 ORGANISATION AND RELATIONSHIPS

- 4.1 Within the PSIAS, the terms ‘Chief Audit Executive,’ ‘Board’ and ‘Senior Management’ are used to describe key elements of the organisation’s governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council.

¹ http://www.legislation.gov.uk/ukxi/2015/234/pdfs/ukxi_20150234_en.pdf

The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

Chief Audit Executive

- 4.2 The Chief Audit Executive is the Head of Shared Internal Audit Service (HoSIAS), part of a shared management arrangement between Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC). The HoSIAS reports to the relevant S151, and has access to the Chief Executive should it be required.

Board

- 4.3 The 'Board' oversees the work of Internal Audit. It will be the relevant audit committee of the Council, known as Civic Affairs Committee (CCC) and the Audit and Corporate Governance Committee (SCDC), which has been established as part of its corporate governance arrangements. The Committee is responsible for the following with reference to Internal Audit:
- Internal Audit Plans;
 - Progress and performance against plans;
 - Annual Audit Opinion; and
 - Compliance with standards.
- 4.4 Internal Audit will work closely with the committee to facilitate and support its activities.

Senior Management

- 4.5 In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Strategic Leadership Team and the Senior Management Team (CCC) and the Executive Management Team (SCDC).

External Audit

- 4.6 Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties. Our

audit plans and reports are shared with the appointed external auditor, Ernst and Young.

Other Internal Audit Service Providers

- 4.7 Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. In such cases, a dialogue will be opened with each Council's equivalent Chief Audit Executive to agree a way forward regarding the future auditing regime.

Other External Review and Inspection Bodies

- 4.8 Internal Audit will co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

5 OBJECTIVES AND SCOPE

- 5.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.
- 5.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion.
- 5.3 A risk-based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 5.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.

- The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 5.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 5.6 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 5.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Committee of such situations.
- 5.8 Risk Management is the responsibility of Officers and Members. Internal Audit contributes to the Risk Management Framework at both Councils; providing advice on the development of proportionate mitigation and actions. At CCC

Internal Audit is also the Strategic Lead for Risk Management and facilitates the Risk Management Strategy and Framework. Management are still responsible for identifying, managing and mitigating risks within their services. This approach is consistent with guidance set out by the IIA.

6 INDEPENDENCE

- 6.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the HoSIAS direct access to and the freedom to report unedited, as deemed appropriate, to the Committee, the Chief Executive, Section 151 Officer and Senior Management.
- 6.2 Internal Audit has no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility. The HoSIAS will confirm to the Committee, at least annually, the organisational independence of the Internal Audit activity.

7 PROFESSIONAL STANDARDS

- 7.1 Internal Auditors operate in accordance with the PSIAS and LGAN. The Internal Auditors are also governed by the policies, procedures, rules and regulations established by the Council. These include, but are not limited to, Financial Regulations and Contract Standing Orders, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 7.2 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. All working arrangements and methodologies, which will be followed by the Internal Auditors, are set out in the Audit Manual.

8 AUDIT RESOURCES

- 8.1 The HoSIAS will be professionally qualified (CCAB, CMLIA or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 8.2 The HoSIAS will ensure that the Internal Audit Service has access to staff that have an appropriate range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include systems reviews, consultancy input to new / modified systems, and special investigations. In the event of special investigations being required, there is limited contingency in the Audit Plans to absorb this work. However, additional resources may need to be made available to the Internal Audit Service when such input is necessary.

9 AUDIT PLANNING

- 9.1 The HoSIAS will develop an audit strategy, together with agile audit plans and a summary of audit coverage using a risk-based methodology. This will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be consulted with Senior Management prior to being taken forward to the Committee for final endorsement.
- 9.2 Any difference between the plan and the resources available will be identified and reported to the Committee. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in Table 1.

TABLE 1: AUDIT ACTIVITIES	
Core system assurance work	Departmental specific reviews
Governance, Risk and Control	Follow up activity
Corporate Plan Objectives	Internal advice on risks, controls and procedures
Cross Cutting audits	

- 9.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this.

10 REPORTING

10.1 The process followed for completing each audit is set out in Table 2.

10.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and
- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales.

10.3 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Stage	Commentary
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced following completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond including acceptance of actions together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final. The report will be distributed in accordance with agreed protocols (see Table 4).

- 10.4 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation and report any gaps to senior management.
- 10.5 Internal Audit reports include actions which are agreed with management and prioritised, plus an overall assurance opinion. These are explained further on the next page.

Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Head of Shared Internal Audit to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example, if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact.

Action ratings

As part of the review we have identified opportunities for improvement, which have been shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

The Council has a Risk Management system, which is used for tracking their progress. This will be updated upon distribution of the report and we will follow up the actions where appropriate. It is the responsibility of Risk Owners and Action Owners to regularly review and update the risk register with details of action taken to mitigate the risks.

- 10.6 Our assurance ratings will be subject to regular review to ensure that they remain relevant and robust for the service / organisation.
- 10.7 Periodic reports will be produced to summarise the output of audit reviews and to set out Internal Audits opinion on the state of the internal controls and governance across the Council.. This will comment upon:
- The scope including the time period covered;
 - Any scope limitations;
 - Consideration of all related projects including the reliance on other assurance providers;
 - The risk or control framework or other criteria used as a basis for the overall opinion;
 - The overall opinion, providing reasons where an unfavourable overall opinion is given; and
 - A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 10.8 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.
- 10.9 All reports produced are set out in Table 4.

TABLE 4: PLANNING AND REPORTING FREQUENCY		
Report Produced	For	Reason
Audit Report	Chief Executive S.151 Officer Relevant Director / Head of Service	The end of each audit assignment as the main recipient and those charged with implementing the issues identified
Progress reports (based around the committee cycle to report performance and the Control Opinion)	Relevant Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.
Annual Audit Plan	Relevant Audit Committee S.151 Officer	Details of the future plans to provide assurance across the Council in accordance with PSIAS. This may be included in Progress reports depending on the Committee Cycle.

11 QUALITY ASSURANCE AND IMPROVEMENT

- 11.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity, and includes both internal and external assessments. In the event of an improvement plan proving necessary to formulate and implement, in order to further develop existing service provisions, the HoSIAS will initiate the appropriate action and annually, the results of the quality and assurance programme together with progress made against the improvement plan will be reported to senior management and the Committee.

Internal Assessments

- 11.2 Internal Assessments must include on-going monitoring of the performance of the internal audit activity and these are reported as part of the annual report.
- 11.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the HoIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Committee. Presenting this information enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the HoSIAS.

External Assessments

- 11.4 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification.
- 11.5 The HoSIAS will discuss with the Committee and the Section 151 Officer the form of the external assessments; and the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. As part of the shared service arrangements, each Council will be reviewed jointly which will reduce the level of duplication.

Appendix D – Internal Audit Code of Ethics



1 INTRODUCTION

- 1.1 The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of the Council's Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

2 PRINCIPLES

- 2.1 Internal auditors are expected to apply and uphold the following principles:

- Integrity The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- Objectivity Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- Confidentiality Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

To uphold the principles, Internal Auditors shall:

INTEGRITY:	<ul style="list-style-type: none"> • Perform their work with honesty, diligence and responsibility; • Observe the law and make disclosures expected by the law and the profession; • Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation; • Respect and contribute to the legitimate and ethical objectives of the organisation; and • Maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness
OBJECTIVITY:	<ul style="list-style-type: none"> • Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation; • Not review any activity for which they have previously had operational responsibility; • Not accept anything that may impair or be presumed to impair their professional judgement; and • Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
CONFIDENTIALITY:	<ul style="list-style-type: none"> • Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate; • Not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and • Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.
COMPETENCY:	<ul style="list-style-type: none"> • Engage only in those services for which they have the necessary knowledge, skills and experience; • Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and • Continually improve their proficiency, effectiveness and quality of their services

3 MANAGING ARRANGEMENTS:

3.1 To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest, at least annually;
- Confidentiality breaches will not be tolerated; and
- All staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

Appendix E – Glossary of terms

Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Head of Shared Internal Audit to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example, if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact upon the organisation.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact upon the organisation.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact on the organisation.

Agenda Item 9



**South
Cambridgeshire**
District Council

REPORT TO: Audit & Corporate Governance
Committee

28th July 2022

LEAD OFFICER: Monitoring Officer

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)- UPDATE ON USE OF RIPA

Executive Summary

1. The purpose of this report is to update Members of the Audit and Corporate Governance Committee on the use of RIPA powers since the committee last met.

Key Decision

2. No

Recommendations

3. It is recommended that Audit & Corporate Governance Committee note the Council has not used surveillance powers since the Committee last met or between the period March 2022 – June 2022.

Reasons for Recommendations

4. The committee are to receive quarterly updates on the Council's use of Regulation of Investigatory Powers Act 2000 (RIPA) powers and to review the RIPA policy on an annual basis and make amendments as necessary.

Details

5. RIPA regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
6. Following a Home Office Review into counter-terrorism and security powers the Protection of Freedoms Act 2012 was passed in May 2012 requiring all local

authority surveillance authorised under RIPA to be approved by a Magistrate from November 2012. The council's policy and procedures were amended at that time to reflect these changes.

7. The Council comprehensively reviewed and updated its policy in September 2012 and last reviewed the policy in March 2022.
8. The Investigatory Powers Commissioner's Office is responsible for the inspection of public authorities with regard to compliance with RIPA. The Council was the subject of a remote inspection on the 24th February 2021 and the report concluded that the information provided demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection. The Inspector also commented that the policy was a well written document and easy to read.
9. There have been no changes to the legislation since the last revision of the policy in March 2022.

The council's use of RIPA since June 2020

10. The information in the table below summarises the authorisations granted from March 2022 to June 2022.

	Directed surveillance	CHIS	Total
March 2021 – December 2021	0	0	0

Options

11. Members are required to note the report.

Implications

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

Financial

13. None

Legal

14. Authorisation of surveillance activity gives that surveillance “lawful authority” for the purposes of the European Convention on Human Rights.

Staffing

15. None

Risks/Opportunities

16. See legal.

Equality and Diversity

17. See legal.

Climate Change

18. None

Background Papers

RIPA Policy

Report Author:

Rory McKenna – Monitoring Officer
Telephone: 07872 116523

This page is left blank intentionally.