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South Cambridgeshire District Council

4 October 2023

To: Chair – Councillor Michael Atkins
Vice-Chair – Councillor Peter Sandford
Members of the Audit and Corporate Governance Committee – Councillors Geoff Harvey, Mark Howell, Helene Leeming, Richard Stobart and Heather Williams
Quorum: 3

Substitutes: Councillors Graham Cone, Sue Ellington, Dr. Richard Williams, Bunty Waters, James Hobro, Dr Lisa Redrup, Pippa Heylings and Jose Hales

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, 12 October 2023** 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 26 July 2023 as a correct record.	**9 - 14**

4.	**External Audit Update Report on 2020/21 Accounts - Report to Follow**	
5.	**Completion of Accounts for 2020/21**	**15 - 148**
6.	**Key Amnesty Project**	**149 - 154**
7.	**Six-Monthly Strategic Risk Report**	**155 - 168**
8.	**Governance Risk and Control Update**	**169 - 180**
9.	**Treasury Management - Annual Report 2022/2023**	**181 - 196**
10.	**Treasury Management Performance Report: Quarter Ending 30 September 2023**	**197 - 210**
11.	**Matters of Topical Interest** Oral update on the Independent Member proposal, which went to Council on 5 October.	
12.	**Date of Next Meeting** 28 November 2023 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.
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- **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.

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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.

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.

DECLARATIONS OF INTEREST – INFORMATION FOR COUNCILLORS

As a Councillor, you are reminded of the requirements under the Council's Code of Conduct to register interests and to disclose interests in a meeting. You should refer to the requirements set out in the Code of Conduct which are summarised in the notes at the end of this agenda frontsheet.

Disclosable pecuniary interests
A "disclosable pecuniary interest" is an interest of you or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) which falls within the categories in Table 1 of the code of conduct, which is set out in Part 5 of the Constitution.

Where a matter arises at a meeting which directly relates to one of your disclosable pecuniary interests you must:

- disclose the interest;
- not participate in any discussion or vote on the matter; and
- must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

It is a criminal offence to:

- fail to notify the monitoring officer of any disclosable pecuniary interest within 28 days of election
- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register
- fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting
- participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

Other registerable interests
These are categories of interest which apply to the Councillor only (not to their partner) and which should be registered. Categories are listed in Table 2 of the code of conduct, which is set out in Part 5 of the Constitution. Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your Other Registerable Interests, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of non-registerable interests
Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which affects – a. your own financial interest or well-being; b. a financial interest or well-being of a relative or close associate; or c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in Table 2 you must disclose the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied. Where a matter (referred to in the paragraph above) affects the financial interest or well-being: a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and; b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

[Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

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Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on Wednesday, 26 July 2023 at 10.00 a.m.

PRESENT: Councillor Michael Atkins – Chair
Councillor Peter Sandford – Vice-Chair

Councillors:	Geoff Harvey	Mark Howell
	Richard Stobart	Heather Williams
Officers:	Patrick Adams	Senior Democratic Services Officer
	Anne Ainsworth	Chief Operating Officer
	Peter Maddock	Head of Finance
	John Murphy	Monitoring Officer
Auditors:	Janet Dawson	E & Y
	Mark Russell	E & Y
	Jonathan Tully	Head of Shared Internal Audit

1. Apologies for Absence

Apologies for Absence were received Councillor Helene Leeming.

2. Declarations of Interest

Councillor Mark Howell declared a registerable interest as a County Councillor.

Councillor Peter Sandford declared a registerable interest as a non-executive director of Ermine Street Housing.

Councillor Richard Stobart declared two registerable interests as a director of South Cambs Investments Partnership and South Cambs Projects.

Councillor Heather Williams declared a registerable interest as a member of the Greater Cambridge Partnership Joint Assembly, as the agenda referred to the Greater Cambridge Partnership.

3. Minutes of Previous Meeting

The Minutes of the meeting held on 1 June 2023 were agreed as a correct record.

4. External Audit Update Report on 2020/21 Accounts

Janet Dawson presented this report, which updated the Committee on EY's audit of the Council's 2020/21 financial statement. She explained that although the timetable remained ambitious, significant progress had been made. The Committee noted the areas completed, those being worked on and the areas where more information from the Council was required. Janet Dawson complimented officers on their timely responses and reported that EY should be in a position to give the final results of the audit at the Committee's next meeting.

The Head of Finance reported that there had been good collaboration between the Council and EY, who were working well together in a great effort to meet tight deadlines.

Covid grants
Mark Russell explained that the audit of the grants was currently in progress. One on the main risks was regarding classification. It appeared that £5m had been incorrectly accounted and the Committee could expect more details of this in the final report.

Technical adjustment
In response to questioning Janet Dawson explained that the technical adjustment referred to in the report did not affect the cash position.

Councillor Heather Williams asked if future audit reports could indicate what percentage of the audit was completed.

Janet Dawson concluded that EY hoped to complete their work by the end of July.

The Committee **noted** the report.

5. Final Accounts Position Statement and Catch Up Plan

The Head of Finance presented this report, which updated the Committee on the timetable to have the 2024/25 accounts to take place on time during the early part of the 2025/26 financial year. Janet Dawson confirmed that EY had also received a letter from the Government seeking assurance that delays experienced to accounts and audits were being addressed. She explained that it was possible that future audits would be less thorough to allow councils and auditors to carry out future audits on time. It was noted that there was a risk that something of material importance could be missed, which would make the starting balance for subsequent audits inaccurate. Guidance from CIPFA was awaited on this. The Committee could expect the proposed dates of future audits at its meeting in September.

The Committee **noted** the report.

6. Key Amnesty Project

This item was deferred to the next meeting.

7. Internal Audit Plan and Opinion

The Head of Shared Internal Audit presented this report on the proposed Internal Audit Annual Plan and Strategy for the next six months of the 2023/24 financial year by providing a summary of the proposed audits. He explained that the plan was agile and members could continue to suggest areas of assurance at future meetings. In response to questioning about including other work to the immediate plan, he explained that the planning service had been audited recently and the impact of the organisational change was already being reviewed by external organisations. The Head of Shared Internal Audit did not want to duplicate work.

Data analytics
In response to questioning, the Head of Shared Internal Audit explained that data analytics was an important technique, which involved matching data to help tackle fraud. The team would provide training and coaching on the various approaches.

Ombudsman annual report
Councillor Heather Williams asked if the annual ombudsman's letter would be considered by the Committee. The Chair replied that the annual report from the ombudsman would come to a future meeting of the Committee. Councillor Heather Williams requested that the recommendations in the report be amended to ensure that both any risks identified by the ombudsman and the impact of the four-day week be included in the audit plan. The Committee had a brief adjournment whilst this was considered.

The Chair proposed and the Vice Chair seconded that any risks identified by the ombudsman be included in the Audit Plan. A vote was taken and with four votes in favour and two against the Committee

Agreed to approve the draft Audit Plan and Strategy,

A further vote was taken and the Committee unanimously

Agreed

A) To approve the supporting Charter and the Code of Ethics.

B) That the Head of Shared Internal Audit, in consultation with the Chair, will adapt the audit plan to incorporate risks identified by the ombudsman.

8. Governance Risk and Control Update

The Head of Shared Internal Audit presented this report that updated the Committee on any key audit and governance matters.

Asset management audit
The Head of Shared Internal Audit reported that the above audit had resulted in a full assurance.

Taxi licensing audit
The Head of Shared Internal Audit reported that the above audit had resulted in reasonable assurances. He agreed to confirm reports that the licensing team had implemented two minor amendments on the recommendation of internal audit. He expected that due to this the audit would also result in a full assurance.

Counter-fraud investigations
In response to questioning, the Head of Finance stated that there had been an

increase in referrals, probably due to the key amnesty, and the team were working through the 63 outstanding cases. It was noted that housing fraud made up more cases than any other category. Councillor Heather Williams asserted that the Council had a moral obligation to tackle fraud to show that the authority would not tolerate the defrauding of the taxpayer. The Head of Finance stated that the anti-fraud training would examine these issues.

The Committee **noted** the report.

9. Independent Members

The Head of Shared Internal Audit presented this report that invited councillors to consider whether to include an independent as a member of the Committee. The Committee had previously agreed to regularly consider this matter and new guidance from CIPFA, stating that have an independent member was best practice for an Audit Committee, made this a timely review.

Councillor Mark Howell expressed his concern at allowing a non-elected person on the Committee and he asserted that the independent person should not have voting rights. Councillor Heather Williams agreed and expressed concern that it would be difficult to recruit a person of sufficient skills for the remuneration on offer. Councillor Peter Sandford recommended that only one Independent person should serve on the Committee. Councillor Richard Stobart agreed and added that an Independent Member could provide useful external challenge. It was suggested that the Independent Member should be a resident of the district and ideally should have some accounting knowledge.

It was noted that the Constitution would have to be amended to allow an independent member on the Committee and this would require a recommendation from the Civic Affairs Committee to full Council, who would then have to decide whether to amend the Constitution.

Councillor Mark Howell and Councillor Heather Williams stated that they would not be voting on the recommendation. They could consider this matter afresh as members of the Civic Affairs Committee.

A vote was taken and with four votes in favour and two councillors not voting the Committee

Agreed

A) To recommend that the Civic Affairs Committee recommend to Council that the Constitution be amended to allow for the appointment of an Independent Person to the Audit and Corporate Governance Committee.

B) If approved by Council, the Chief Finance Officer, after consultation with the Chair of the Committee, be authorised to make the necessary arrangements to recruit and select the Independent Person.

10. Treasury Management - Annual Report 2022/2023

This item was deferred to the next meeting.

11. Treasury Management Performance Report: Quarter Ending 30 June 2023

The Head of Finance presented this report that outlined the Council's performance against the approved Prudential Indicators for Treasury Management for the first three months of 2023/24. He explained that the Committee would now receive quarterly updates on Treasury Management.

The Head of Finance did not believe that the Council had invested with Black Rock but agreed to check.

The Committee **noted** the report.

12. Six-Monthly Strategic Risk Report

This item was deferred to the next meeting.

13. Matters of Topical Interest

No matters of topical interest were raised.

14. Date of Next Meeting

The Chair suggested that future meetings of the Committee should be moved to a Thursday, as they had been held on this day in the past. It was noted that before any meeting dates were altered, officers would need to check that there were no clashes with other meetings such as those of the County Council or the Greater Cambridge Partnership.

The Meeting ended at 12.00 p.m.

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South
Cambridgeshire
District Council

Report to:	Audit and Governance 12th October 2023
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Finance
Lead Officer:	Peter Maddock, Head of Finance

COMPLETION OF ACCOUNTS FOR 2020/21.

Executive Summary

1. The statement of accounts for the year 2020/21 are attached for approval at appendix A. Once approved and signed the auditors can complete their final processes before they sign the accounts. There is also a balance sheet comparison showing the changes since the draft accounts approved in January 2023, the revised draft and the audited accounts at Appendix B(i) and (ii).

Recommendations

2. That Committee approve the audited statement of accounts for 2020/21 as presented in Appendix A. If there are further adjustments and the accounts cannot be approved as the final audited version at this meeting a further meeting be convened to approve the final accounts.

3. That Committee note that the 2020/21 accounts audit is substantially complete save for answering a few final queries and closing procedures to be carried out by the Auditors.

Details

Statement of Accounts 2020/21

4. The audited statement of accounts for 2020/21 is reproduced as Appendix A to this report. There are also Balance Sheet comparisons with the changes shown since the draft accounts were presented in January 2023, the revised set presented for Audit and the final set as presented to this committee in Appendix B(i) and (ii).

5. Apart from an adjustment to Investment Property values of £1.424m where enhancements were not offset against a revaluation adjustment, the changes between the original draft accounts for 2020/21 and the revised draft accounts occurred because the original draft was presented to this committee **before** the

conclusion of the 2019/20 audit. The overall change in the reported balance sheet total was £953,000.

6. This revised set of draft accounts were presented to audit at the start of the process and took into account the agreed opening position as at 1st April 2020. There have been a number of changes as a result of the audit and these are detailed below.

7. The Enterprise Zone land at Northstowe was purchased toward the end 2020/21 and classified as an investment property. Following further investigation and discussion with the auditors it was concluded that it should be classified as surplus land. The year end value was £6.03m so this amount has been moved from Investment Properties to Property Plant and Equipment.

8. There were some amounts totalling £368,000 reported as additions to Property Plant and Equipment (PPE) after further investigation it was found that these were in fact computer software assets and should have been classified as intangible assets rather than PPE.

9. There were two investments that were mis-classified. An investment with Places for People for £2.5m was treated as short term on the basis that there was an option to recall the money every six months. In reality it was always the Council's intention to let the investment run for the full 2 years. At the end of 2020/21 there was more than a year left on the investment which means it met the definition of a long-term investment. An investment of £1m that was classified as long term did on investigation meet the definition of short term. An amount of £1.5m has therefore been moved from short term to long term investments.

10. On examination of the bad debt provision relating to housing benefit overpayments it was found that an amount of £275,000 had been double counted therefore one of these amounts has been reversed. The effect is to Increase the value of Debtors and increase the Un-Earmarked General Fund Reserve.

11. As regards short term creditors there were two adjustments. The first related to the LED street lighting project where an amount was raised as an accrual for works done in 2020/21. When the evidence to support this accrual was examined it became clear there was a lack of evidence to support the total accrual and therefore an amount of £760,000 had to be removed to bring the accrual value to the amount that could be evidenced. The effect therefore is to reduce short term creditors and increase the Un-Earmarked General Fund Reserve by this amount. This is a timing difference and the expenditure was then accounted for in 2021/22.

12. The second adjustment relates to COVID grants. COVID grants fall into two categories; those that are distributed by the council based on set criteria where the council acts as the agent of central government, and those where the Council has discretion in the distribution of the grants. There is different accounting treatment depending on which category the grants fall into. There was an amount of grant money given to the Council totalling £463,000 that was treated in the first category that should have been treated in the second category. The effect

therefore is to reduce short term creditors and increase the Un-Earmarked General Fund Reserve by this amount.

13. The pension fund auditor reported a reduction of £920,000 in asset values when comparing the report used in the preparation of the draft accounts to the actual figure when that was available. The accounts have been adjusted by this amount which has reduced the pensions liability in the top half of the balance sheet with a consequent increase in the pensions reserve which falls under the heading of unusable reserves.

14. There was a significant amendment made that amounts to £5m that seems to have arisen from a mis-understanding. An amount of £5m related to Covid grants was transferred from the Un-Earmarked General Fund Reserve into Earmarked Reserves however on investigation the actual entry was nothing to do with Covid grants and should have in fact been an entry relating to the financing of the Capital programme. The correction only affects the bottom half of the balance sheet and the effect is to remove £5m from Earmarked Reserves a Usable reserve and add to the Capital Adjustment Account an Unusable reserve.

15. The overall effect of these adjustments is to increase the balance sheet value by £2,416,000.

16. There are also a number of disclosure changes requested by the auditors within the various notes.

Options

17. The report asks the committee to approve the accounts. The committee has this with its terms of reference so not carrying out this function could not be recommended. It maybe necessary to convene a further meeting if changes to the version presented become necessary.

Implications

18. 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

19. 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

20. 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

21. 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 the risk should be mitigated.

Alignment with Council Priority Areas

A modern and caring Council

22. 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 Final Statement of Accounts for 2020/21
Appendix B(i) & (ii) Balance Sheet comparisons.

Report Author:

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

St Mary's Church, Linton Village

South Cambridgeshire District Council

Statement of Accounts 2020/21

Please note that figures are rounded to the nearest thousand (where applicable) throughout the 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

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Narrative Statement

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 around 162,000 living in small, relatively isolated, outlying rural settlements, and with larger settlements situated on strategic routes into Cambridge such as Histon, Milton and Cambourne, and Cambridge Fringe developments such as Orchard Park and Trumpington Meadows. 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 12,300 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.

Current and Future Developments

The high level priorities are underpinned by a number of more detailed actions going forward that help ensure the priorities are being met.

With regard to growing local businesses and economies the immediate objective is to provide support to local business through a support team and promoting the local area enterprise zones. Other longer term objectives have also been set which involve partnership working to promote the district in terms of tourism and business support, encouraging shopping locally and providing affordable housing for essential and key workers.

With regard to housing that is truly affordable for everyone to live in, the Council has set an ambitious house building programme to deliver up to 75 new properties per annum by 2022/23 and improve the energy efficiency of existing dwellings. Plans also include improving liaison with parish council's regarding potential housing development in their area. There are also plans to combat homelessness and be a significant partner driving the new town development at Northstowe.
The Council is committed to reducing its carbon footprint and this is driven by the green to our core priority. Improving recycling rates, trialling electric waste vehicles with a view to greening the fleet, Carrying out works at the Council offices to improve energy efficiency and generate our own power through renewable energy and stem the increasing incidence of fly tipping across the district. Longer term aims look at promoting cycling, walking and the use of public transport to, where possible, move people away from car use and further promote recycling, waste reduction and deter fly tipping.

With regard to a modern and caring council the objectives look at increasing efficiency with more reliance on technology, streamlining processes generally, signposting customers to the use of on line forms and generating more income from Council activities to support service delivery. Longer term aims look at supporting voluntary groups to deliver local projects and developing members to better equip them to serve their local communities.

Performance and Plans

The following link, **Performance and Plans,** provides information on the Council's KPI performance and business plans actions update for each quarter since 2018-19.

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 2020/21, the breakdown of councillors by political group was as follows:

Liberal Democrat	30
Conservative	11
Independent Group	2
Labour	2

The Council operates a Leader and Cabinet model of governance under which the Leader of the Council, elected by the whole Council to serve a four-year term of office, appoints a Cabinet of up to ten councillors, each of which are given a Portfolio to reflect a corporate priority. The Cabinet implements the strategic policy and budgetary framework agreed by all Councillors each February. It is held to account by the Scrutiny and Overview Committee which comprises of 14 members and met 8 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 2021, the Team consisted of the Chief Executive and Head of Paid Service (Liz Watts), supported by:

- Chief Operating Officer – Anne Ainsworth
- Head of Finance, Section 151 Officer - Peter Maddock
- Head of Transformation – Jeff Membrey
- Head of Housing – Peter Campbell
- 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
- Monitoring Officer – Rory McKenna

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 2020/21, 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 2020. 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 2021 was set in February 2020, the surplus was estimated at £1.451m (Appropriation to General Fund Balance line). The budget was revised to a deficit of £2.275m in the year. The actual outturn reported to cabinet was a deficit of £1.994m, there were further adjustments since then, decreasing the deficit to £1.550m with a final variance of £0.444m against the reported Outturn. The details of this are shown in the table below.

Narrative Statement

General Fund Summary					
Net Expenditure	Revised Budget 2020/21	Reported Outturn 2020/21	Revised Outturn 2020/21	Variance Reported vs Revised Outturn 2020/21	Variance Revised Budget vs Revised Outturn 2020/21
	£'000	£'000	£'000	£'000	£'000
Portfolio					
Chief Executive & Chief Operatig Officer	854	843	1,092	(249)	(238)
Finance	4,345	3,196	3,314	(118)	1,031
HR & Corporate Services	1,239	1,203	1,203	0	36
Housing	2,111	1,928	1,760	168	351
Shared Waste & Environment	8,416	9,804	8,843	961	(427)
Transformation	2,371	2,023	2,024	(1)	347
Planning	5,726	5,381	5,379	2	347
Operational Net Cost	**25,062**	**24,378**	**23,615**	**763**	**1,447**
City Deal and Drainage Levy	712	935	934	1	(222)
Investment Income and Expenditure	(4,214)	(4,147)	(2,947)	(1,200)	(1,267)
Appropriation to/(from) Earmarked Reserves	(550)	1,795	10,860	(9,065)	(11,410)
Accounting Reversals	6,444	4,197	(4,272)	8,469	10,716
Net Operational Budgets	**2,392**	**2,780**	**4,575**	**(1,795)**	**(2,183)**
Total Expenditure	**27,454**	**27,158**	**28,190**	**(1,032)**	**(736)**
Government Grants	(2,898)	(2,898)	(13,782)	10,884	10,884
Council Tax	(9,562)	(9,562)	(9,525)	(37)	(37)
Business Rates Income	(9,479)	(8,937)	148	(9,085)	(9,627)
Business Rates Pool Gain	(1,100)	(1,439)	(1,439)	0	339
Covid Support Grant	(1,922)	(1,922)	(1,636)	(286)	(286)
Business Rates - Collection Fund Surplus	(119)	(307)	(307)	0	188
Council Tax - Collection Fund Surplus	(99)	(99)	(99)	0	0
Income from Taxation and Government Grants	**(25,179)**	**(25,164)**	**(26,640)**	**1,476**	**1,461**
Appropriation (to)/from General Fund	**2,275**	**1,994**	**1,550**	**444**	**725**

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	**Reported Outturn**	**Revised Outturn**	**Variance Reported vs Revised Outturn**	**Variance Budget vs Revised Outturn**
	£000	**£000**	**£000**	**£000**	**£000**
	2020/21	**2020/21**	**2020/21**	**2020/21**	**2020/21**
Housing Management	5,957	6,007	5,027	980	930
Housing Repairs	3,775	3,793	5,024	(1,231)	(1,249)
Depreciation	6,666	6,666	7,147	(481)	(481)
Interest Payable	7,179	7,193	7,193	0	(14)
Capital Expenditure Funded from Revenue	9,188	7,844	7,836	8	1,352
Other Items	365	424	210	214	155
Gross Expenditure	**33,130**	**31,927**	**32,437**	**(510)**	**693**
Rents	(29,331)	(29,070)	(29,135)	65	(196)
Charges for services and facilities	(1,423)	(1,229)	(1,134)	(95)	(289)
Interest on Balances	(691)	(1,034)	(1,034)	0	343
Gross Income	**(31,445)**	**(31,333)**	**(31,303)**	**(30)**	**(142)**
Amount (to)/from HRA Balance	**1,685**	**594**	**1,134**	**(540)**	**551**

The table above shows the variances against the final 2020/21 budget for the HRA with an overall variance of £0.551m (underspend).

* 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 2.95% well above the 2.74% 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 £1.134m against a budget that assumed a £1.685m contribution from reserves. HRA reserves stood at £3.080m at 31 March 2021.

Capital

Capital expenditure produces assets capable of providing benefits to the community for several years to come. Total expenditure for the year amounted to £59.270m (including Refcus).The programme included £26.895m spent on investment property and £15.976m being invested through the HRA in the Council's own housing stock and new build initiatives.

Treasury Management

At 31 March 2021, investments (including those classed as cash equivalents) totalled £112.376m.
These investments produced interest of £3.01m, which was used towards the cost of services.The Council has debt of £230.123m, which comprises of £205.123m funding Housing Revenue Account assets and £25m General fund borrowing of over 1 years duration.

Balances and Reserves

The balances on the General Fund and the Housing Revenue Account were at £12.21m and £3.08m respectively as at 31 March 2021 (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 £13.33m, consisting of the usable capital receipts reserve and capital grants unapplied.

Covid-19 Pandemic and Aftermath

In March 2020 the Government announced a lockdown where many businesses were forced to close and people asked to stay at home. The Government provided significant financial support to businesses in April 2020 that was administered by the Council and eligibility linked to whether a business was trading and registered for Business Rates at the beginning of the lockdown.

There were also a number of other similar grant schemes and business rates reliefs introduced to support businesses through the pandemic.

In the early months of 2020/21 the Council experienced a number of businesses and individuals who withheld their Business Rates or Council Tax over fears of financial hardship and as a result Council cashflow suffered.

In response to that the government announced a few schemes to support Councils:-

- Financial support in the form of un-ringfenced grant to fund additional expenditure as a result of the pandemic in areas such as Revenues and Benefits, Homelessness, Waste and Planning.
- An income guarantee scheme which provided support for income losses as a result of the pandemic
- A delay in the collection of the Business rates central share for a couple of months.
- A furlough scheme where the government paid a proportion of salaries where employees were unable to work because of the lockdown though South Cambs had few employees that were eligible.
- Financial support to pass onto to those who couldn't work where they also received some form of support to pay their Housing costs and Council Tax.

There were also a number of smaller more targeted grants provided for specific types of covid related expenditure.

The second half of the year saw a return to normal collection rates on both Business rates and Council Tax and indeed those that withheld payments earlier in the year generally caught up.

The Medium Term Financial Strategy (MTFS) took into account the impact of the pandemic but in truth the financial impact on the Council was minimal.

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 2020/21 construction was completed on 64 new homes, with the new build programme continuing into 2021/22. No existing market homes were acquired in 2020/21 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.

Narrative Statement

The link [Ermine Street Housing] opens the website for this company which provides information about it's services.

Ermine Street Housing has a growing portfolio of both owned and leased market housing stock, with a year-end portfolio of 190 leased properties and 465 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:

The Statement of Responsibilities

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 2021 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

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.

Restated 2019/20					2020/21		
Gross Spend	Gross Income	Net Spend			Gross Spend	Gross Income	Net Spend
£000	£000	£000		Note	£000	£000	£000
			Continuing Operations				
2,757	(5)	**2,752**	Chief Executive & Chief Operating Officer		1,400	(308)	**1,092**
4,231	(506)	**3,725**	Finance		4,346	(1,032)	**3,314**
1,675	(236)	**1,439**	HR and Corporate Services		1,501	(298)	**1,203**
28,114	(25,398)	**2,716**	Housing		28,603	(26,843)	**1,760**
16,834	(9,453)	**7,381**	Shared Waste & Environment		16,187	(7,344)	**8,843**
1,649	(59)	**1,590**	Transformation		2,206	(182)	**2,024**
10,558	(5,138)	**5,420**	Planning		10,849	(5,470)	**5,379**
21,946	(32,869)	**(10,923)**	Housing Revenue Account (HRA)		20,439	(30,269)	**(9,830)**
87,764	**(73,664)**	**14,100**	**Net Cost of Services**		**85,531**	**(71,746)**	**13,785**
6,560	(1,762)	4,798	Other Operating Expenditure and Income	**9**	6,788	(2,985)	**3,803**
9,767	(3,664)	6,103	Financing and Investment Income and Expenditure	**10**	9,667	(28,602)	**(18,935)**
0	(27,004)	(27,004)	Taxation and Non-Specific Grant Income	**11**	0	(31,934)	**(31,934)**
104,091	**(106,094)**	**(2,003)**	**(Surplus) / Deficit on Provision of Services**		**101,986**	**(135,267)**	**(33,281)**
		(29,019)	(Surplus) / Deficit on Revaluation of Property Plant & Equipment	**20a**			**(22,372)**
		(17,555)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	**32**			**21,085**
		(48,577)	**Total Comprehensive Income and Expenditure**				**(34,568)**

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.

Movements in Reserves during 2019/20	Note	General Fund Balance	Ear-marked Reserves (Gen.	Housing Revenue Account	Ear-marked Reserves (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Un-applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 01 April 2019		**(13,435)**	**(28,283)**	**(10,012)**	**(9,500)**	**0**	**(11,052)**	**(658)**	**(72,940)**	**(233,236)**	**(306,176)**
Total Comprehensive Income and Expenditure		5,106	0	(7,109)	0	0	0	0	(2,003)	(46,574)	(48,577)
Adjustment Between Accounting and Funding Basis Under Regulations	7	(9,224)	0	12,907	0	(807)	(779)	(20)	2,077	(2,077)	0
(Increase) / Decrease in Year		(4,118)	0	5,798	0	(807)	(779)	(20)	74	(48,651)	(48,577)
Transfer to Earmarked Reserves	8	3,796	(3,796)	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year		**(322)**	**(3,796)**	**5,798**	**0**	**(807)**	**(779)**	**(20)**	**74**	**(48,651)**	**(48,577)**
Balance as at 31 March 2020	B/S	**(13,757)**	**(32,079)**	**(4,214)**	**(9,500)**	**(807)**	**(11,831)**	**(678)**	**(72,866)**	**(281,887)**	**(354,753)**
Movement in reserves during 2020/21											
Total Comprehensive Income and Expenditure	CIES	(26,260)	0	(7,021)	0	0	0	0	(33,281)	(1,287)	(34,568)
Adjustment Between Accounting and Funding Basis Under Regulations	7	16,950	0	8,155	0	(2,538)	(792)	(33)	21,742	(21,742)	0
(Increase) / Decrease in Year		(9,310)	0	1,134	0	(2,538)	(792)	(33)	(11,539)	(23,029)	(34,568)
Transfer to Earmarked Reserves	8	10,860	(10,860)	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year		**1,550**	**(10,860)**	**1,134**	**0**	**(2,538)**	**(792)**	**(33)**	**(11,539)**	**(23,029)**	**(34,568)**
Balance as at 31 March 2021	B/S	**(12,207)**	**(42,939)**	**(3,080)**	**(9,500)**	**(3,345)**	**(12,623)**	**(711)**	**(84,405)**	**(304,916)**	**(389,321)**

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 £000		Note	31 March 2021 £000
549,195	Property, Plant & Equipment	12	580,678
24,600	Investment Properties	12a	69,468
535	Intangible Assets	36	661
74,676	Long Term Investments	13	89,551
747	Long Term Debtors	14	747
0	Capital Programme		0
649,753	**Total Long Term Assets**		**741,105**
10,108	Short Term Temporary Investments	13	3,548
290	Inventories	-	248
6,055	Debtors and Prepayments	16	20,388
19,360	Cash & Cash Equivalents	17	19,277
0	Assets Held for Sale	35	0
35,813	**Total Current Assets**		**43,461**
(49,901)	Short Term Creditors	18	(58,257)
(2,400)	Revenue Grants- Receipts in Adv.	18	0
(10,000)	Short Term Borrowing	15	(19,000)
(1,301)	Cash & Cash Equivalents	17	(2,062)
(4,736)	Provisions	19	(4,645)
(68,338)	**Total Current Liabilities**		**(83,964)**
(57,352)	Pensions Liability	32	(81,158)
(205,123)	Long Term Loans	13	(230,123)
0	Capital Grants and Contributions	18(a)	0
	Provisions		
(262,475)	**Total Long Term Liabilities**		**(311,281)**
354,753	**Net Assets**		**389,321**
(72,866)	Usable Reserves	MIRS	(84,405)
(281,887)	Unusable Reserves	MIRS/ 20	(304,916)
(354,753)	**Total Reserves**		**(389,321)**

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		Note	2020/21 £000
2,003	Net Surplus/(Deficit) on Provision of Services	**CIES**	33,281
46,501	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**21**	(15,174)
12,105	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**21**	(18,066)
60,609	Net cash flows from Operating Activities		**41**
(29,866)	Investing Activities	**22**	(13,951)
(18,532)	Financing Activities	**23**	13,067
12,211	**Net Increase or (Decrease) in cash and cash equivalents**		**(844)**
5,848	Cash and Cash Equivalents at the beginning of the reporting period	**17**	18,059
18,059	**Cash and Cash equivalents at the end of the reporting period**	**17**	**17,215**

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 (2020/21) and the Service Reporting Code of Practice (2020/21) 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.

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 adopted a policy of a £5,000 de-minimus level on all manual accruals (debtors and creditors) for 2020/21.

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 form 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.

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.

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 or
- to the capital adjustment account if the grant has been used to finance capital expenditure

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

1.10 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 of 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.

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.

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 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, and 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 2020/21 and 2019/20 as comparator between South Cambridge District Council (parent) and its subsidiaries (SC Ltd and Shire Homes). 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 2020/21 SC Ltd and Shire Homes statement of accounts immaterial to the group. Therefore, the 2020/21's group figures includes IFRS16 figures from subsidiaries only.

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

	2019/20		2020/21	
	SCLtd	Shire Homes	SC Ltd	Shire Homes
	£000	£000	£000	£000
PPE	347	335	0	919
ST Creditors	(347)	(341)	(575)	(457)
LT Creditors	(205)	(271)	(2,121)	(476)

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:-

a) 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.
b) Additional grants to fund specific new burdens that fell on the Council.
c) Deferral of central government payments relating to the Business Rates central share.

Balances held by the Council

Date	General Fund	Housing	Earmarked Reserves
31/03/2021	12.2m	3.1m	52.4m
31/03/2022	15.2m	5.3m	47.9m
31/03/2023	17.5m	3.3m	47.4m
31/03/2024	18.8m	2.8m	48.7m
31/03/2025	21.9m	2.4m	46.6m

The balances in the table remain above the minimum thresholds set by the Council's s 151 officer and both the General Fund and Earmarked Reserves are expected to be at higher levels than at 31/3/2020. The HRA balance is at a lower level but a significant amount of revenue resources are applied to expenditure within the capital programme and this funding is set based on affordability and maintaining the HRA balance above the £2m threshold.

The UK economy continues to face uncertainty due to the ongoing financial challenges associated with the COVID-19 pandemic and high inflation levels. The Bank of England has increased the base rate several times since 2022/23, which affects interest rates for mortgages and loans. Inflation is used to drive expenditure and income assumptions in revenue budget planning. The Council lends its cash balances externally to generate a return for delivering council services while managing security and liquidity. Short term loans were used in 2022/2023 to fund the capital program, and external borrowing is anticipated in 2023/2024, factoring in available interest rates. Cost pressures from inflation, energy prices, and national living wage pressures and Interest rates have all been taken into account for the 2023/2024 budget.

Cash position: The Council is expected to have a projected cash balance of £5.2m by the end of March 2025, this is compared to £19m at the end of March 2020. Despite uncertainties arising from the post Covid-19 aftermath, along with high inflation and rising interest rates, the Council remains confident in its ability to maintain sufficient cash reserves to support its operations in the medium term. This is supported by a thorough review of the cash flow forecast, which extends for a period of twelve months beyond the signing of the accounts. In addition, the Council has the flexibility to borrow short-term funds for revenue purposes if needed. With adequate reserves and investments, the Council's cash position is secure and sustainable.

Conclusion: The Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will continue as a going concern, based on the review of the forecasted reserve and cash position 12 months from the signing of the accounts.

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:

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.

Change in assumption	**2019-20 Inc. in Liability (£m)**	**2020-21 Inc. in Liability (£m)**
0.5% decrease in real discount rate	16.15	22.71
0.5% increase in salary increase rate	1.42	1.89
0.5% increase in pension increase rate	14.61	20.37

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 updated the investment strategy during 2020/21 and a further three properties were purchased during 2020/21.The intention of the purchases 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 Comprehensive Income and Expenditure Statement and the year end valuations in the 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 22 December 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 2021, 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 2021 to issue / certification date. There were no events within that period that would be relevant to an understanding of the authority’s financial position.

Russia/Ukraine War
on 24th February 2021, Russia invaded Ukraine and the war is still going on. There is no financial impact on the 2020/21 accounts.

6 Expenditure and Funding Analysis

(a) 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.

2019/20 Restated					2020/21			
Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis Capital	Adjustments between Funding and Accounting Basis Other	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis Capital	Adjustments between Funding and Accounting Basis Other	Net Expenditure in the CIES
£000	£000	£000	£000		£000	£000	£000	£000
2,699	0	53	2,752	Chief Executive & Chief Operating Officer	1,070	0	22	1,092
3,619	0	106	3,725	Finance	3,331	(70)	53	3,314
636	751	52	1,439	HR and Corporate Services	1,177	0	26	1,203
596	1,838	282	2,716	Housing	776	830	154	1,760
5,824	772	785	7,381	Shared Waste & Environment	7,629	809	405	8,843
1,483	0	107	1,590	Transformation	1,959	0	65	2,024
4,874	0	546	5,420	Planning	5,053	0	326	5,379
(12,719)	1,439	357	(10,923)	Housing Revenue Account (HRA)	(12,860)	2,833	197	(9,830)
7,012	**4,800**	**2,288**	**14,100**	**Net Cost of Service**	**8,135**	**4,402**	**1,248**	**13,785**
(5,332)	(15,623)	4,852	(16,103)	Other Income and Expenditure	(16,311)	(40,822)	10,067	(47,066)
1,680	**(10,823)**	**7,140**	**(2,002)**	**(Surplus) / Deficit on provision of services**	**(8,176)**	**(36,420)**	**11,315**	**(33,281)**
(23,447)				**Opening General Fund and HRA Balance**	(17,971)			
1,680				(Surplus)/Deficit on General Fund and HRA	(8,176)			
3,796				Transfer to/from Earmarked Reserves	10,860			
(17,971)				**Closing General Fund and HRA Balance**	(15,287)			

(b) Expenditure and Funding by Nature

2019/20	Subjective Analysis	2020/21
£000		**£000**
	Expenditure	
29,340	Employee Expenses (including Benefits)	30,816
47,809	Other Service Expenses	43,631
11,417	Depreciation, Amortisation and Impairment	12,169
7,237	Interest Payments	7,252
6,086	Precepts and Levies	6,310
1,728	Pen. Int. costs & expected return on assets	1,334
474	Payment to Housing Capital Receipts Pool	474
104,091	**Total Expenditure**	**101,986**
	Income	
(49,505)	Fees, Charges and Other Service Income	(46,733)
(24,157)	Government Grants/Contributions (Services)	(25,436)
(1,762)	Gain on the disposal of assets	(2,987)
(6,185)	Government Grants/Contributions (Central)	(14,830)
(2,870)	Interest and Investment Income	(3,006)
(794)	Net income in relation to inv. prop. and changes in fair value	(25,171)
(14,847)	Income From Council Tax	(15,506)
(5,974)	Business Rates Income and Expenditure	(1,598)
(106,094)	**Total Income**	**(135,267)**
(2,003)	**(Surplus)/Deficit on Provision of Services**	**(33,281)**

7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

	Gen. Fund	Hou. Rev. Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grant Un-applied	Movement in Unusable Reserves
2020/21	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	826	4,143		(4,969)		
Transfer from Deferred Capital receipts on receipt of cash						
Used to finance new Capital Expenditure				3,703		(3,703)
Contribution towards administrative costs of non-current asset disposals						
Contribution to finance the payments to the Government capital receipts pool	(474)			474		
Adjustments Primarily Involving the Capital Grants Unapplied Account	33				(33)	
Adjustments Involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(1,981)	(7,147)				9,128
Upward/(Downward) revaluation of non-current assets	70	(2,833)				2,763
Amortisation of intangible assets						
Capital Grants and contributions applied	718	1,045				(1,763)
Revenue expenditure funded from Capital under statute	(704)					704
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(341)	(1,678)				2,019
Statutory provision for repayment of debt (MRP)	870					(870)
Movement in Fair Value of Investment Properties	23,373					(23,373)
Capital expenditure charged against the General Fund and HRA balances	5,517	7,836				(13,353)
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.						
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA		7,147	(7,147)			
Use of the MRR to finance new capital exp			4,609			(4,609)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES	(2,392)	(329)				2,721
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	(8,261)					8,261
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(304)	(29)				333
Total Adjustments	**16,950**	**8,155**	**(2,538)**	**(792)**	**(33)**	**(21,742)**

2019/20	Gen. Fund £000	Hou. Rev. Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grant Un-applied £000	Movement in Unusable Reserves £000
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		(6,522)		
Transfer from Deferred Capital receipts on receipt of cash						
Used to finance new Capital Expenditure				5,269		(5,269)
Contribution towards administrative costs of non-current asset disposals				-		
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						
Charges for depreciation and impairment of non-current assets	(1,496)	(6,545)				8,041
Upward/(Downward) revaluation of non-current assets	(1,796)	(1,426)				3,222
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				(13,444)
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.						0
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA		6,545	(6,545)			0
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						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements						
Total Adjustments	**(9,224)**	**12,907**	**(807)**	**(779)**	**(20)**	**(2,076)**

8 Movements in Earmarked Reserve

	Balance 01 April 2019	Transfers In	Transfers Out	Balance 31 March 2020	Transfers In	Transfers Out	Balance 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Business Rates Growth	(6,230)	0	5,230	(1,000)	(7,784)		(8,784)
Infrastructure	(3,318)	(1,682)	0	(5,000)		25	(4,975)
Greater Cambridge City Deal	(3,131)	(3,336)	2,138	(4,329)	(507)	507	(4,329)
Renewables	(4,475)	(1,511)	1,248	(4,738)	(2,080)	1,078	(5,740)
Pensions	(471)	0	147	(324)		127	(197)
Vehicle Renewables	(1,906)	(1,578)	1,039	(2,445)	(771)		(3,216)
Accommodation	(331)	(277)	388	(220)	(300)	38	(482)
Transformation Reserves	(4,026)	0	123	(3,903)		357	(3,546)
Electoral Registration	(109)	(165)	217	(57)	(58)		(115)
Land Charges	(396)	0	56	(340)		237	(103)
Environmental	(361)	(101)	146	(316)	(3)	161	(158)
Planning	(2,642)	(3,888)	1,882	(4,648)		55	(4,593)
Other	(41)	(37)	45	(33)	(3)	7	(29)
Homelessness	(452)	(423)	256	(619)	(364)	342	(641)
Community Development	(113)	(144)	120	(137)	(228)	84	(281)
Housing	(281)	(18)	4	(295)		37	(258)
Property Investment	0	(3,548)	0	(3,548)	(203)	14	(3,737)
Covid-19	0	(36)	36	0	(1,378)		(1,378)
HomeLink	0	(387)	260	(127)			(127)
Software Fund	0	0	0	0	(250)		(250)
General Fund	**(28,283)**	**(17,131)**	**13,335**	**(32,079)**	**(13,929)**	**3,069**	**(42,939)**
Self Insurance	(1,000)	0	0	(1,000)	0	0	(1,000)
Investment Repayment	(8,500)	0	0	(8,500)	0	0	(8,500)
Housing Revenue Account	**(9,500)**	**0**	**0**	**(9,500)**	**0**	**0**	**(9,500)**
Total Earmarked Reserves	**(37,783)**	**(17,131)**	**13,335**	**(41,579)**	**(13,929)**	**3,069**	**(52,439)**

9 Other Operating Income and Expenditure

31 March 2020 £000		31 March 2021 £000
5,618	Parish Council Precepts	5,882
197	Internal Drainage Boards	201
271	Enterprise Zones	226
474	Payments to the Government Housing Pool	474
(1,762)	(Gains) / losses on the disposal of non-current assets	(2,980)
4,798	**Total**	**3,803**

10 Financing and Investment Income and Expenditure

31 March 2020 £000		31 March 2021 £000
7,237	Interest payable and similar charges	7,252
1,728	Pensions interest cost	1,334
(2,870)	Interest receivable and similar income	(3,006)
6	Inc. and exp. in relation to inv. prop. and changes in their fair value	(24,514)
6,101	**Total**	**(18,935)**

11 Taxation and Non Specific Grant Income and Expenditure

31 March 2020 £000		31 March 2021 £000
(14,847)	Council Tax Income	(15,506)
(5,972)	Non Domestic Rate Income	(1,598)
(5,226)	Non-ring fenced Government Grants (see note 28 for breakdown)	(13,782)
(959)	Capital Grants and Other Contributions (see note 28 for breakdown)	(1,048)
(27,004)	**Total**	**(31,934)**

12 Property, Plant and Equipment

Depreciation starting in the year after acquisition is provided for on non-current assets by writing down the cost (or re-valued amount) less estimated residual value, on a straight-line basis to the appropriate revenue account over the following periods:
* Council dwellings – 13 to 54 years,
* Buildings other than dwellings – 8 to 40 years,
* Vehicles, plant and equipment – 3 to 14 years.

No depreciation is charged on surplus assets, 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 & Equip-ment	Infra-structure Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2020	**495,179**	**29,555**	**10,926**	**1,379**	**16,801**	**1,574**	**555,414**
Adjustments	0	0	(41)	0	0	1	**(40)**
Additions	5,456	174	601	133	10,879	5,459	**22,702**
Revaluation credited to Revaluation Reserve	12,977	1,294	0	0	0	(16)	**14,255**
Revaluation Applied to the CIES	(2,796)	47	0	0	0	615	**(2,134)**
Derecognition- Disposals	(1,994)	0	0	0	0	(40)	**(2,034)**
Transfers	11,738	0	0	0	(11,738)	0	**0**
Gross Book Value 31 March 2021	**520,560**	**31,070**	**11,486**	**1,512**	**15,942**	**7,593**	**588,163**
Depreciation 01 April 2020	**0**	**(23)**	**(6,073)**	**(123)**	**0**	**0**	**(6,219)**
Depreciation in Year	(7,118)	(457)	(1,149)	(46)	0	0	**(8,770)**
Adjustments		(3)	1	2	0	0	**0**
Depreciation w/o to Revaluation Reserve	7,066	423	0	0	0	0	**7,489**
Depreciation written out to CIES	0	0	0	0	0	0	**0**
Derecognition- Disposals	15	0	0	0	0	0	**15**
Depreciation 31 March 2021	**(37)**	**(60)**	**(7,221)**	**(167)**	**0**	**0**	**(7,485)**
Net Book Value 31 March 2021	**520,523**	**31,010**	**4,265**	**1,345**	**15,942**	**7,593**	**580,678**

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip-ment	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**	**513,900**
Adjustments -other movements		(152)					**(152)**
Asset reclassification (to)/from Assets under construction	5,732				(5,732)		**0**
Asset reclassification (to)/from Surplus Assets and Assets Held for Sale						1,564	**1,564**
Additions	6,923	385	812	0	16,323	53	**24,496**
Revaluation credited to Revaluation Reserve	26,118	2,987	0	0	0	(51)	**29,054**
Revaluation Applied to the CIES	(9,019)	(357)	0	0	0	13	**(9,363)**
Derecognition- Disposals	(2,912)	0	0	0	0	(1,173)	**(4,085)**
Gross Book Value 31 March 2020	**495,179**	**29,555**	**10,926**	**1,379**	**16,801**	**1,574**	**555,414**
Depreciation 01 April 2019	**0**	**0**	**(5,028)**	**(77)**	**0**	**0**	**(5,105)**
Depreciation in Year	(6,544)	(398)	(1,045)	(46)	0	0	**(8,033)**
Depreciation w/o to Revaluation Reserve	(32)	(3)	0	0	0	0	**(35)**
Depreciation written out to CIES	6,561	378	0	0	0	0	**6,939**
Derecognition- Disposals	15	0	0	0	0	0	**15**
Depreciation 31 March 2020	**0**	**(23)**	**(6,073)**	**(123)**	**0**	**0**	**(6,219)**
Net Book Value 31 March 2020	**495,179**	**29,532**	**4,853**	**1,256**	**16,801**	**1,574**	**549,195**

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 2021, on the bases set out in the statement of accounting policies have been carried out for all land and buildings, as follows:

a) Council dwellings relating to the Housing Revenue Account, by Wilks, Head & Eve LLP and
b) Non-operational assets relating to the Housing Revenue Account, by Mr Paul Gedge, MRICS, District Valuer, East of England
c) 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 1.14.

Surplus assets are valued at fair value (at level 2 of the fair value hierarchy) as at 31 March 2021. 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 12a.

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip-ment	Infra-structure Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Carried Historical Cost	0	0	11,486	1,512	15,942	5,400	**34,340**
Valued at Current Value as from:							
31 March 2021	520,560	31,070	0	0	0	1,199	**552,829**
31 March 2020						994	**994**
Total Cost or Valuation	**520,560**	**31,070**	**11,486**	**1,512**	**15,942**	**7,593**	**588,163**

12a 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		31 March 2021 £000
(850)	Rental income from investment property	(1,845)
57	Direct operating expenses arising from investment property	703
(793)	**Net (gain)/loss**	**(1,142)**

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		31 March 2021 £000
-	Balance at the start of the year	**24,600**
	Additions:	
25,400	Purchases	21,494
(800)	Net gains/losses from fair value adjustments	23,374
24,600	**Balance at the end of the year**	**69,468**

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 4 December 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	Investments	31 March 2021
£000		£000
9,504	Local Authorities	0
72,180	South Cambs Limited	84,572
5,046	Clearing Banks	14,011
0	Subsidiaries of Clearing Banks	0
0	Banks (other)	0
9,863	Money Market Funds	6,267
0	Building Societies with assets: >£10 billion	0
5,055	Housing Association	5,048
2,495	Other	2,478
104,145		**112,376**
(19,360)	Less: cash and cash equivalents	(19,277)
84,785	**Total**	**93,099**

31 March 2020		31 March 2021	31 March 2021	31 March 2021
		Short Term	Long Term	Total
£000	**Principal Investment analysed by maturity**	£000	£000	£000
10,000	2019/20	0	0	0
74,044	2020/21	3,500	0	3,500
0	2021/22	0	88,868	88,868
741	Accrued Interest	48	683	731
84,785		**3,548**	**89,551**	**93,099**

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		31 March 2021 £000
(85,000)	Repayable within 25 years	(110,000)
(50,000)	Repayable within 30 years	(50,000)
(50,000)	Repayable within 35 years	(50,000)
(20,123)	Repayable within 40 years	(20,123)
(205,123)	**Net Carrying Amount at end of the year**	**(230,123)**

14 Long Term Debtors

31 March 2020 £000		31 March 2021 £000
418	Webbs Hole Sluice	418
329	Long Term Loans	329
747	**Net Carrying Amount at end of the year**	**747**

15 Financial Instruments

Categories of Financial Instruments

Categories of Financial Assets	Long Term		Current	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Financial assets held at amortised costs				
Investments (Principal amount)	74,056	88,868	10,000	3,500
Investments Accrued Interest	620	683	108	48
Cash & Cash Equivalents	0	0	19,360	19,277
Debtors	747	747	6,010	8,427
Total Financial Assets	**75,423**	**90,298**	**35,478**	**31,252**

Financial liabilities held at amortised costs				
Loans (principal amount)	(205,123)	(230,123)	(10,000)	(19,000)
Interest Accrued				
Cash & Cash Equivalents			(1,301)	(2,062)
Current Creditors			(7,730)	(8,341)
Total Financial Liabilities	**(205,123)**	**(230,123)**	**(19,031)**	**(29,403)**

	Long Term		**Current**	
[1]Debtors Reconciliation to Balance Sheet	**31 March 2020**	**31 March 2021**	**31 March 2020**	**31 March 2021**
	£000	**£000**	**£000**	**£000**
Included in Financial Assets	747	747	6,010	8,427
Debtors that do not meet the definition of a financial assets:				
Statutory Debtors			2,986	14,806
Prepayments			86	154
Total Debtors	**747**	**747**	**9,082**	**23,387**

	Long Term		**Current**	
[2]Creditors Reconciliation to Balance Sheet	**31 March 2020**	**31 March 2021**	**31 March 2020**	**31 March 2021**
	£000	**£000**	**£000**	**£000**
Included in Financial Liabilities			(7,730)	(8,341)
Creditors that do not meet the definition of a financial liability:				
Statutory Creditors			(18,315)	(26,494)
Receipts in Advance			(23,856)	(23,422)
Total Creditors	**0**	**0**	**(49,901)**	**(58,257)**

Income and Expense Gains and Losses
Items of Income, Expense, Gains and Losses Recognised in the Comprehensive Income and Expenditure Statement
The follow table provides a breakdown of the financial instrument items of income, expenditure and gains/ losses recognised in the CIES

	2019/20			2020/21		
Financial instrument items of income, expenditure and gains/losses recognised in the CIES	**Financial Liabilities: Amortised Cost**	**Financial Assets: Amortised Cost**	**Total**	**Financial Liabilities: Amortised Cost**	**Financial Assets: Amortised Cost**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Interest Expense	7,237	0	**7,237**	7,252	0	**7,252**
Impairment losses	0	0	**0**	0	0	**0**
Total expense in (surplus) or deficit on the provision of services	**7,237**	**0**	**7,237**	**7,252**	**0**	**7,252**
Interest Income	0	(2,870)	**(2,870)**	0	(3,006)	**(3,006)**
Dividend Income	0	0	**0**	0	0	**0**
Total income in (surplus) or deficit on the provision of services	**0**	**(2,870)**	**(2,870)**	**0**	**(3,006)**	**(3,006)**
Net (Gain)/Loss for the year	**7,237**	**(2,870)**	**4,367**	**7,252**	**(3,006)**	**4,246**

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 2021 of 1.1% to 1.27% (0.545% to 0.73% at 31 March 2020) 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 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities				
Long term borrowing	(205,123)	(349,105)	(230,123)	(285,015)
Total Financial Liabilities	**(205,123)**	**(349,105)**	**(230,123)**	**(285,015)**

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 £000		31 March 2021 £000
2,225	Central Government Bodies	8,968
1,887	Local Authorities	7,300
46	NHS	36
4,838	Other Entities and Individuals	6,929
86	Payments in Advance	154
9,082	**Total debtors and payments in advance**	**23,387**
	Less: Provision for Bad Debts / Impairment	
(59)	Council Tax Arrears- Council share	(76)
(156)	NDR Arrears- Council share	(433)
(568)	Housing (HRA)	(722)
(2,244)	Sundry Debtors (customer debt)	(1,768)
(3,027)	**Total provisions for bad debts / impairments**	**(2,999)**
6,055	**Total net figure**	**20,388**

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		31 March 2021 £000
19,360	Short-term Deposits with Money Market Funds	19,277
(1,301)	Bank Overdrafts	(2,062)
18,059	**Total Cash and Cash Equivalents**	**17,215**

18 Short Term Creditors and Revenue Grants Receipts in Advance

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

Restated 31 March 2020 £000		31 March 2021 £000
(13,463)	Central Government Bodies	(16,523)
(6,234)	Local Authorities	(9,949)
0	NHS	0
(23,027)	Other Entities and Individuals - S106 (see breakdown in note 18a)	(22,690)
(5,080)	Other Entities and Individuals -Other	(7,372)
(2,097)	Receipts in Advance	(1,723)
(49,901)	**Total creditors and receipts in advance**	**(58,257)**

31 March 2020 £000		31 March 2021 £000
	Revenue grants- Receipts in Advance	
(2,400)	Section 31 Business rates	0
(2,400)		**0**

18(a) Capital Grants and Contributions

Developer (S106) Contributions:

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

31 March 2020 £000	Developer (S106) Contributions:	31 March 2021 £000
	Capital	
(19,019)	Commuted sums	(18,689)
0	Partnership works on awarded watercourses	0
0	Drainage	0
(472)	Community Transport Initiative	(1,259)
(3,158)	Affordable Housing s106	(2,235)
(22,649)		**(22,183)**
	Revenue	
(54)	Sustainability s106 Orchard park	(54)
(50)	Public art s106 Orchard Park	(50)
(72)	Community development s106	(121)
(30)	Electoral arrangements	(26)
(172)	Waste Management	(256)
(378)		**(507)**
(23,027)		**(22,690)**

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.

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 £4.645m has been recognised in the 2020/21 accounts (£4.479m in 2019/20), and the in-year movement is shown in Note 33.

The long term provision totalling £2.386m relates to Northstowe Phase 1 and 2

Short Term (Business Rates)	Accumul-ated Absences Provision	Total		Short Term (Business Rates)	Long Term
£000	£000	£000		£000	£000
(3,503)	**(257)**	**(3,760)**	**Balance at 01 April 2020**	**(4,479)**	**0**
(1,249)	0	(1,249)	Additional provisions made in 2020/21	(615)	0
273	0	273	Amounts used in 2020/21	449	0
0	**0**	0	Unused amounts reversed in 2020/21		
(4,479)	**(257)**	**(4,736)**	**Balance as at 31 March 2021**	**(4,645)**	**0**

20 Unusable Reserves

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

31 March 2020			31 March 2021
£000			£000
(123,973)	Revaluation Reserve	(a)	(144,003)
(215,916)	Capital Adjustment Account	(b)	(251,307)
57,352	Pension Reserve	(c)	81,158
(88)	Deferred Capital Receipts Reserve	(d)	(97)
482	Collection Fund Adjustment Account	(e)	8,743
257	Accumulated Absences Account	(f)	590
(281,886)			**(304,916)**

(a) 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		31 March 2021 £000
(98,053)	**Balance at 1 April**	**(123,973)**
(31,382)	Upward revaluation of assets	(24,381)
2,362	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on Provision of Services	2,009
(29,020)	**(Surplus) or Deficit on revaluation of non current assets not posted to the (Surplus)/Deficit on the Provision of Services**	**(22,372)**
1,459	Difference between fair value depreciation and historical cost depreciation	1,894
1,641	Accumulated gains on assets sold or scrapped	448
3,100	**Net amount transferred to the Capital Adjustment Account**	**2,342**
(123,973)	**Balance at 31 March**	**(144,003)**

(b) 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		31 March 2021 £000
(203,604)	**Balance at 1 April**	**(215,916)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
8,200	Charges for depreciation and impairment of non-current assets	9,128
4,743	Revaluation impairment through CIES	5,631
(2,325)	Reversal of impairment on revaluation	(2,868)
	Amortisation of intangible assets	
723	Revenue expenditure funded from capital under statute	704
4,629	Amounts of non-current assets written off on disposal as part of the gain / loss on disposal posted to the CIES	2,019
(1,641)	Write out of revaluation gain on disposal from Revaluation Reserve	(448)
(1,459)	Depreciation, amortisation and impairment w/o from Revaluation Reserve	(1,894)
12,870	**Net written out amount of the cost of non-current assets consumed in the year**	**12,272**
	Capital financing applied in the year:	
(5,269)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,703)
(5,738)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,609)
(959)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(1,045)
0	Application of grants to capital financing from the Capital Grants Unapplied Account	(718)
(581)	Statutory provision for the financing of capital investment charged against the General Fund balance	(870)
	Use of General Earmarked Reserved to finance new capital expenditure	
(13,444)	Capital expenditure charged against the General Fund and HRA balances	(13,353)
(25,991)		**(24,298)**
800	Movements in the market value of Investment Properties credited to the CIES	(23,373)
9	Other adjustment	8
(215,916)	**Balance at 31 March**	**(251,307)**

(c) 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		31 March 2021 £000
70,548	**Balance at 1 April**	**57,352**
(17,555)	Remeasurements of the net defined benefit liabilities	21,085
8,692	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	7,373
(4,333)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,652)
57,352	**Balance at 31 March**	**81,158**

(d) 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		31 March 2021 £000
(88)	**Balance at 1 April**	**(88)**
0	Movement in year	(9)
(88)	**Balance at 31 March**	**(97)**

(e) 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.

31 March 2020 £000		31 March 2021 £000
(2,299)	**Balance at 1 April**	**482**
2,835	Amount by which the non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	8,215
(54)	Amount by which the council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	46
482	**Balance at 31 March**	**8,743**

(f) 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		31 March 2021 £000
257	**Balance at 1 April**	**257**
0	Movement in year	333
257	**Balance at 31 March**	**590**

21 Cash Flow Statement- Operating Activities

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

31 March 2020 £000		31 March 2021 £000
8,441	Depreciation	9,127
2,933	Impairment and upward revaluations	(20,614)
20,894	Increase / (decrease) in creditors	5,956
975	Increase / (decrease) in provisions	(91)
4,359	(Increase) / decrease in debtors	(14,333)
(129)	(Increase) / decrease in inventories	41
4,359	Pension Liability	2,721
4,669	Carrying amount of Non-Current Assets sold	2,019
46,501	**Total**	**(15,174)**

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		31 March 2021 £000
15,973	Creditors relating to Section 106 etc.	(337)
2,563	Creditors relating to Collection Fund Agencies	(6,971)
0	Debtors relating to Collection Fund Agencies	(5,759)
(6,431)	Proceeds from the sale of property and equipment, investment property and intangible assets	(4,999)
12,105	**Total**	**(18,066)**

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

31 March 2020 £000		31 March 2021 £000
2,870	Interest Received	3,006
(7,237)	Interest Charge for the Year	(7,252)
(4,367)	**Total**	**(4,246)**

22 Cash Flow Statement- Investing Activities

31 March 2020 £000		31 March 2021 £000
(49,955)	Purchase of Property, Plant & Equipment, Investing Property	(44,635)
6,658	Purchase of Short-term and Long-term Investments	(14,875)
7,000	Purchase of Short-term and Long-term Borrowing	34,000
6,431	Proceeds from Sale of Property, Plant & Equipment, Investment	4,999
0	Proceeds from Short-term and Long-term Investments	6,560
(29,866)	**Total**	**(13,951)**

23 Cash Flow Statement- Financing Activities

31 March 2020 £000		31 March 2021 £000
(15,973)	Creditors relating to Section 106 etc.	337
(2,559)	Creditors relating to Collection Fund Agencies	6,971
0	Debtors relating to Collection Fund Agencies	5,759
(18,532)	**Total**	**13,067**

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 45 Councillors during the year.. 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		31 March 2021
£		£
322,683	Allowances	350,792
25,808	Expenses	41
348,491	**Total**	**350,833**

26 Officer Remuneration

Senior Officer Remuneration:

	2020/21				
	Salary (including fees and allowances)	**Benefits in Kind**	**Pension Contributions**	**Compensation for Loss of Office**	**Total Remuneration including Pension Contributions**
Chief Executive	133,503	0	22,696	0	156,199
Interim Executive Director (Corporate Services)	35,008	0	4,727	0	39,735
Chief Operating Officer [1]	77,952	0	13,252	0	91,204
Head of Housing [4]	67,851	0	11,442	0	79,293
Interim Head of Housing [5]	8,400	0	0	0	8,400
Head of Waste & Environment	78,868	0	13,309	0	92,177
Joint Director for Planning and Economic Development [2]	111,253	0	18,913	0	130,166
Head of Finance & Section151 Officer	79,090	0	13,445	0	92,535
Head of Human Resources & Corporate Services	78,391	0	13,234	0	91,625
Head of Transformation [6]	53,489	0	9,093	0	62,582
Total	**723,805**	**0**	**120,111**	**0**	**843,916**

[1] Commenced employment 6 July 2020

[2] Shared Director with Cambridge City Council. 100% of Remuneration costs shown above. Costs shared 50:50.

[4] Commenced employment 20 April 2020

[5] Interim arrangements ended May 2020.

[6] Commenced employment 30 June 2020

	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	0	11,535	0	83,487
Interim Executive Dir. (Corporate Services) [5]	40,560	0	5,909	0	46,469
Director of Health & Env. Services (ended 7th Feb 2020) [2,4,6]	122,172	0	20,037	99,051	241,260
Head of Waste & Environment (began 1st Mar 2020) [6]	6,446	0	1,096	0	7,542
Interim Head of Housing, prev Director of Housing (began Jan 2020)	21,900	0	0	0	21,900
Director of Planning & Economic Development. [3]	108,275	0	18,407	0	126,682
Head of Finance & Section151 Officer (began 15th April 2019) [5]	71,276	0	12,117	0	83,393
Head of Human Resources & Corporate Services [5]	85,062	0	13,967	0	99,029
Total	**527,643**	**0**	**83,068**	**99,051**	**709,762**

[1] Loss of office cost is additional pension contribution 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	Remuneration Band	31 March 2021 No of Employees
6	£50,000 - £54,999	9
4	£55,000 - £59,999	8
5	£60,000 - £64,999	5
2	£65,000 - £69,999	1
0	£70,000 - £74,999	1
0	£85,000 - £89,999	1
17	**Total**	**25**

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 2020/21 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.

	2020/21			
	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	7	8	21
£20,001 - £40,000	1	0	0	24
£40,001 - £60,000	0	0	0	0
£80,001 - £100,000	0	0	1	0
£200,001 - £220,000	0	0	0	0
Total Cost Included in Bandings and in the CIES	**2**	**7**	**9**	**45**

	2019/20			
	No of Compulsory Redundan-cies	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	0	0	0	0
£40,001 - £60,000	0	0	0	0
£80,001 - £100,000	0	1	1	67
£200,001 - £220,000	0	0	0	0
Total Cost Included in Bandings and in the CIES	**1**	**2**	**3**	**77**

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		31 March 2021
£000		**£000**
70	External Audit Services 2019/20 - EY LLP	
15	Certification of Grant Claims & Returns 2019/20 - EY LLP	
4	Housing pooling capital receipts 2019/20 - Ensors	
152	External Audit Services 2017/18	
70	External Audit Services 2018/19	260
	External Audit Services 2020/21	40
	Certification of Grant Claims & Returns 2020/21	15
	Additional Audit Fee 2019/20	153
	Housing pooling capital receipts 2020/21	4
311	**Total**	**472**

28 Grants and Contributions

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

31 March 2020		31 March 2021
£000		£000
	Credited to Taxation and Non-Specific Grant Income	
(2,473)	New Homes Bonus	(2,768)
(173)	Other non-ringfenced government grants	(131)
0	Covid grants	(1,747)
(2,580)	Business Rates	(9,134)
(959)	Capital Grants and Contributions	(1,050)
(6,185)	**Total Grants and Contributions**	**(14,830)**
	Credited to Services	
(22,900)	Department for Work and Pensions (DWP)- Housing Benefit	(22,200)
(19)	Cabinet Office (CO)- Electoral Registration	(11)
(235)	Ministry for Hou, Comm. and Local Government (MHCLG)	(242)
(340)	Other Government Grants	(956)
0	Covid Support Grants	(975)
(664)	Contributions from local authorities	(1,052)
(24,158)	**Total Grants and Contributions**	**(25,436)**
(30,343)	**Total**	**(40,266)**

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 G5).

Ermine Street Housing

Two employees (P Campbell and J Membery) and one member (Councillor I Sollom) are Directors of Ermine Street Housing. L Bisset (the Council's interim Director of Housing) resigned in May 2020 replaced by P Campbell (Head of Housing) appointed 04 May 2020 and J Membery (Head of Transformation) appointed 25 September 2020. During 2020/21, the Council charged £3,488,109 (£2,408,249 2019/20) for it’s services to Ermine Street Housing. Amounts owed at the end of the year by Ermine Street Housing to the Council total £84,949,218 (£72,450,996 2019/20) related to recharges for contracted services and short term loans taken out to purchase investment properties.

Shire Homes Limited

One officer (H Wood) and one member (Councillor P Fane) of the Council are the company directors. During 2020/21 expenditure of £262,103 (£211,021 2019/20) was paid to Shire Homes Lettings Limited for contracted services to manage the Council’s private sector scheme and the Council charged £200,087 (£153,152 2019/20) for it’s services. At the end of 2020/21 the net amount of £96,863 (£53,640 2019/20) was outstanding to the Council by Shire Homes.

Care Network Cambridgeshire

One member (Councillor Sue Ellignton) of the Council is the company director of Care Network Cambridgeshire. During 2020/21, grant of £18,500 (£18,500 2019/20) was paid by the Council.

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 2020/21, 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		31 March 2021		
		HRA	GF	Total
£000		£000	£000	£000
268,671	**Opening Capital Financing Requirement**	**204,429**	**101,805**	**306,234**
	Adjustment to Opening CFR		(141)	(141)
	Capital Investment			
12,725	Loan to South Cambs Ltd *		12,350	12,350
211	Intangible Assets		444	444
24,496	Property, Plant and Equipment	16,202	6,500	22,702
25,400	Investment Properties		21,494	21,494
723	Rev. Expenditure Funded from Capital Under Statute		704	704
	Sources of Finance			
(5,269)	Capital receipts	(2,712)	(991)	(3,703)
(13,444)	Revenue	(7,836)	(5,517)	(13,353)
(959)	Capital Grants	(1,045)	(718)	(1,763)
(5,738)	Major repairs reserve	(4,609)	0	(4,609)
(581)	MRP from Capital Adjustment Account		(870)	(870)
306,235	**Total**	**204,429**	**135,060**	**339,489**

* 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

Council as a lessee:

Finance Leases

The Council has two leases that are classified as finance lease. They are two travellers sites, Blackwell and Whaddon, which have been leased on a peppercorn rent over a lease term of 125 years from Cambridgeshire County Council (ending 08/05/2144).

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net amounts:

	2020/21	2019/20
Other Land and Buildings	**£000s**	**£000s**
Blackwell Site	1,590	1,450
Whaddon Site	1,675	1,620
Total	**3,265**	**3,070**

There were no Minimum Lease Payments to report in 2020/21 and 2019/20.

Operating Leases

Following a full review of the Council's related agreements there are no embedded leases to report for 2020/21 (£0k in 2019/20)

The Council as a lessor:

The Council has no finance lease as a lessor.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the Comprehensive Income and Expenditure Statement.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2020/21	**2019/20**
	£000s	**£000s**
Not later than one year	1,499	1,428
Later than one year and not later than five years	7,786	7,193
Later than five years	10,867	13,555
Total	**20,152**	**22,176**

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.

31 March 2020		31 March 2021
£000		£000
	Comprehensive Income and Expenditure Statement	
6,964	Service Cost	6,039
1,728	Net Interest Charged	1,334
8,692	**Net Charge made to the CIES**	**7,373**
	Re-Measurements in Other Comprehensive Income	
2,280	Return on Fund Assets in Excess of Interest	(26,622)
(15,584)	Changes in Financial Assumptions	46,221
(4,251)	Change in Demographic Assumptions	2,406
(17,555)	**Re-Measurement of the Net Assets / (Defined Liability)**	**22,005**
	Pension Assets and Liabilities Recognised in the Balance Sheet	
(167,796)	Present Value of the Funded Obligation	(219,846)
(1,706)	Present Value of the Unfunded Obligation	(1,837)
112,150	Fair Value of Scheme Assets	140,525
(57,352)	**Net Liability in the Balance Sheet**	**(81,158)**

Reconciliation of the fair value of the Scheme Liabilities

Unfunded Liabilities	Funded Liabilities		Unfunded Liabilities	Funded Liabilities
2019/20			2020/21	
£000	£000		£000	£000
(2,035)	**(179,602)**	**Net pensions liability at 1 April**	**(1,706)**	**(167,796)**
(41)	(4,365)	Interest Cost	(41)	(3,883)
55	4,196	Change in Demographic Assumptions	(42)	(2,364)
203	15,381	Change in Financial Assumptions	(156)	(46,065)
0	(148)	Change in Other Assumptions		1,905
0	(6,964)	Current Service Cost		(6,039)
0	0	Past Service Cost Including Curtailments		0
0	(1,014)	Contributions by Scheme Participants		(1,134)
112	4,720	Estimated Benefits Paid	108	4,610
(1,706)	**(167,796)**	**Net Pension Liability at 31 March**	**(1,837)**	**(220,766)**

Reconciliation of the fair value of the Scheme Assets

31 March 2020 £000		31 March 2021 £000
111,089	**Fair Value of the Plan Assets at 1 April**	**112,150**
2,678	Interest on Assets	2,590
(2,132)	Return on Assets less Interest	24,717
4,333	Employer Contributions including Unfunded	4,652
1,014	Contributions by Scheme Participants	1,134
(4,720)	Benefits Paid	(4,610)
(112)	Contribution in respect of unfunded benefits	(108)
112,150	**Fair Value of the Plan Assets at 31 March**	**140,525**

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 during 2019

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 2022 are £4,544,000.

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:

2019/20		2020/21
	Mortality Assumptions	
	Longevity at 65 for current pensioners in years:	
22.0	* Men	22.2
24.0	* Women	24.4
	Longevity at 65 for future pensioners in years:	
22.7	* Men	23.2
25.5	* Women	26.2
2.4%	Rate of increase in salaries	3.35%
1.9%	Rate of increase in pensions	2.85%
2.3%	Rate for discounting scheme liabilities	2.00%

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.

Notes to the Statement of Accounts

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

Quoted active market £000	Quoted non- active market £000	Total £000		Quoted active market £000	Quoted non- active market £000	Total £000
1,692	**0**	**1,692**	**Cash and cash equivalents**	**2,168.6**	**0**	**2,168.6**
			Equity instrument: by industry type			
0	0	0	Consumer	0	0	0
0	0	0	Manufacturing	0	0	0
0	0	0	Energy and Utilities	0	0	0
0	0	0	Financial Institutions	0	0	0
0	0	0	Health and Care	0	0	0
0	0	0	Info. Technology	0	0	0
0	**0**	**0**	**Sub-total equity**	**0**	**0**	**0**
			Debt Securities: by sector			
0	0	0	Corporate Bonds(inv. grade)	0	0	0
0	0	0	Corporate Bonds (non-inv. grade)	0	0	0
0	5,806	5,806	UK Government	0	6,273	6,273
0	0	0	Other	0	0	0
0	**5,806**	**5,806**	**Sub-total bonds**	**0**	**6,273**	**6,273**
			Property: by type			
0	8,392	8,392	UK Property	0	8,644	8,644
0	2	2	Overseas Property	0	2	2
0	**8,393**	**8,393**	**Sub-total property**	**0**	**8,645**	**8,645**
			Private Equity:			
0	9,199	9,199	All (UK & Overseas)	0	10,586	10,586
0	**9,199**	**9,199**	**Sub-total private equity**	**0**	**10,586**	**10,586**
			Inv. Funds and Unit Trusts			
0	67,978	67,978	Equities	0	84,404	84,404
0	7,606	7,606	Bonds	0	16,306	16,306
0	0	0	Hedge Funds	0	0	0
0	0	0	Commodities	0	0	0
0	10,112	10,112	Infrastructure	0	12,721	12,721
0	0	0	Other	0	0	0
0	**85,696**	**85,696**	**Sub-total other inv. funds**	**0**	**113,431**	**113,431**
			Derivatives:			
0	1,364	1,364	Other	0	(579)	(579)
0	**1,364**	**1,364**	**Sub-total derivatives**	**0**	**(579)**	**(579)**
1,692	**110,458**	**112,150**	**Total**	**2,169**	**138,356**	**140,525**

Fair value of scheme assets

31 March 2020		31 March 2021
%		%
0.0%	Equity Instruments	0.0%
5.2%	Debt Securities	4.0%
7.5%	Property	6.0%
8.2%	Private Equity	8.0%
76.4%	Investment Funds and Unit Trusts	80.0%
1.2%	Derivatives	0.0%
1.5%	Cash and cash equivalents	2.0%
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 2021	Sensitivity 1	Assumptions	Sensitivity 2
	£000	£000	%
Adjustment to Discount Rate			
Present Value of Total Obligation	22,713	222,603	10%
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	1,894	222,603	1%
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	20,366	222,603	9%

Sensitivity Analysis as at 31 March 2020	Sensitivity 1	Assumptions	Sensitivity 2
	£000	£000	%
Adjustment to Discount Rate			
Present Value of Total Obligation	16,147	167,796	10%
Adjustment to Long Term Salary Increase			
Present Value of Total Obligation	1,418	167,796	1%
Adjustment to Pension Increases and Deferred Revaluation			
Present Value of Total Obligation	14,606	167,796	8%

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 2021 (£329k in 2019/20). 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 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:

31 March 2020			31 March 2021	
Customer Debt	Other Debtors		Customer Debt	Other Debtors
£000	£000		£000	£000
(1,854)	**(575)**	**Balance at 1st April**	**(2,244)**	**(773)**
(607)	(442)	(Increase)/decrease in provisions	431	(517)
217	244	Amounts used	45	59
(2,244)	**(773)**	**Balance at 31st March**	**(1,768)**	**(1,231)**

The Council does not normally extend credit beyond 21 days. At 31 March 2021, of the total debtor balance of £1.447m (£1.090m at 31 March 2020), this can be analysed as follows:

31 March 2020 £000		31 March 2021 £000
	Customer Debts:	
5,677	Less than 3 months	7,313
333	More than 3 months	1,114
6,010	**Balance at 31st March**	**8,427**

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 2021, 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 2021						
	Credit Rating Criteria Met	Up to 1 Month	1 - 3 Months	4 - 6 Months	7 - 12 Months	Greater than 12 Months	Total
		£000	£000	£000	£000	£000	£000
Banks UK	YES	6,265	13,000	1,000	0	0	20,265
Building Societies	YES	0	0	0	0	0	0
South Cambs Ltd	YES	0	0	0	0	83,993	83,993
Housing Assoc	YES	0	3,500	1,500	0	0	5,000
Local Authorities	YES	0	0	0	0	0	0
CLIC	YES	0	0	0	0	2,400	2,400
Money Market Funds	YES	0	0	0	0	0	0
Total		**6,265**	**16,500**	**2,500**	**0**	**86,393**	**111,658**

CLIC- Cambridge Leisure and Ice Centre

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 2021 were £9.510 million on Housing (£16.977m as at 31st March 2020). The reduction year on year is due to the capital spend on new build sites, which includes some large schemes; Babraham Road (Sawston) and Bennell Farm (Toft) and Hardwick.

35 Assets Held for Sale

31 March 2020		31 March 2021
£000		£000
	Cost or valuation	
2,123	**At 1 April**	**0**
0	Adjustments	0
0	Additions	0
0	Revaluation increases / (decreases) recognised in the Revaluation Reserve	0
0	Revaluation increases / (decreases) recognised in the CIES	0
(559)	Derecognition - Disposals	0
(1,564)	Other movements / reclassifications within assets	0
0	**Total**	**0**

36 Intangible Assets

31 March 2020		31 March 2021
£000		£000
	Cost or valuation	
482	**At 1 April**	**535**
212	Additions- Purchase only	444
(159)	Amortisation	**(358)**
0	Other movements / reclassifications	40
535	**Total**	**661**

37 Contingencies

There were no material contingent assets to report for the Council as at 31 March 2021. The only material contingent liability to report for the Council as at 31 March 2021 is the ongoing implications of the Covid-19 pandemic.

Housing Revenue Account Income and Expenditure Statement

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

2019/20 £000		2020/21 £000
	Income	
(28,002)	Dwelling Rents	(28,595)
(422)	Non Dwelling Rents	(392)
(1,917)	Charges for Services and Facilities	(1,134)
(2,325)	Revaluation Gains of non-current assets	0
0	**Contributions towards expenditure:**	
(83)	General Fund	(130)
(120)	Other Sources	(18)
(32,869)	**Total Income**	**(30,269)**
	Expenditure	
4,211	Repairs and Maintenance	3,798
1,756	Special Services	1,226
	Supervision and Management:	
2,682	General	2,646
1,851	Repairs and Maintenance	1,655
198	Rents, Rates and Other Charges	278
	Depreciation and Amortisation:	
6,545	Depreciation	7,147
3,776	Revaluation	2,833
24	Treasury Management Costs	52
113	Inc./(Dec.) Provision for Bad/Doubtful Debts	158
21,156	**Total Expenditure**	**19,793**
(11,713)	**Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement**	(10,476)
790	HRA services share of Corporate Expenses	646
(10,923)	**Net Cost / (Income) of HRA Services**	**(9,830)**
(10,923)	**HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement**	**(9,830)**
(1,687)	Loss/(Gain) on Sale of HRA Non-Current Assets	(2,480)
7,185	Interest Payable and similar charges	7,193
(1,026)	Interest and Investment Income	(1,034)
234	Pensions Interest / Return on Assets	161
(892)	Capital Grants and Contributions	(1,031)
(7,109)	**(Surplus) / Deficit for the Year on HRA Services**	**(7,021)**

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.

2019/20		**2020/21**
£000	**Increase / decrease in the Housing Revenue Account Balance**	**£000**
(7,109)	(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement	(7,021)
12,907	Adjustments between accounting basis and funding basis under statute (including to or from reserves)	8,155
5,798	(Increase) / decrease in the Housing Revenue Account Balance	1,134
(10,012)	Housing Revenue Account Surplus Brought Forward	**(4,214)**
(4,214)	Housing Revenue Account Surplus Carried Forward	**(3,080)**

Notes to the Housing Revenue Account

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		2020/21			
Total		**Conversion**	**Additions**	**Disposals**	**Total**
1,065	1 Bedroom	0	30	(0)	1,094
2,354	2 Bedroom	0	23	(7)	2,369
1,847	3 Bedroom	(3)	12	(8)	1,848
69	4+ Bedroom	3	2	0	74
5,335		**0**	**66**	**(16)**	**5,385**

31 March 2020		31 March 2021
5,324	**Stock (Whole Property Equivalent) as at 1 April**	
	Less:	**5,335**
(19)	Sales (Right to Buy)	(10)
0	Stock Transfers / Conversions	
(8)	Other Movements *	(6)
38	New Properties #	66
5,335	**Stock as at 31 March**	**5,385**
	Other movements / reclassifications within assets	
	Number of houses:	
5,089	Houses and Bungalows	5,113
246	Flats and Maisonettes	272
0	Other	0
5,335	**Stock as at 31 March**	**5,385**
5,335	**Total**	**5,385**

* 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

2019/20			2020/21	
Asset Value	**Deprecia-tion**		**Asset Value**	**Deprecia-tion**
£000	**£000**		**£000**	**£000**
490,727	6,424	Council Dwellings (HRA only)	515,296	6,957
0	(6,424)	Depreciation adj. on revaluation		(6,957)
26,094	(107)	Other Land & Buildings	27,219	394
0	107	Depreciation adj. on revaluation		(394)
1,573	0	Surplus assets held	1,562	0
131	15	Infrastructure	265	15
518,525	**15**		**544,342**	**15**

In 2020/21, 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 2021, based on vacant possession, was £1,370m.

H3 Gross Dwelling Rent Income

During 2020/21, 1.90% (0.94% in 2019/20) of all lettable dwellings were vacant. Average rents were £104.97 (£101.19 in 2019/20) per week including affordable rents, an increase of £3.78 or 3.7% (£0.78 or 0.8% decrease in 2019/20) on the previous year. 38.75% (43.12% in 2019/20) of all Council tenants received some help through rent rebates in 2020/20. Rent arrears increased to £886,348 (£694,287 in 2019/20), which represents 3.06% (2.45% in 2019/20) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £682,722 (£528,622 in 2019/20). Amounts written off during the year totalled £3,572 (£483 in 2019/20). Dwelling rents are shown after allowing for voids.

H4 Rent Arrears on Dwellings

31 March 2020 £000		31 March 2021 £000
694	Arrears	886
(529)	Provision for uncollectable amounts	(683)
2.45%	Arrears as a percentage of gross rents collectable	3.06%

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 £4,157,759 (£5,766,454 in 2019/20) in respect of HRA capital receipts during 2020/21. This arose as a result of the sale of council houses £3,952,759 (£4,848,200 in 2019/20), and sale of Land £205,000 (£918,254 in 2019/20). Of this the Council had £1,431,649 (£2,115,868 in 2019/20) available for house building projects and £14,625 (£30,770 in 2019/20) for the administration of the sales which left £2,237,042 (£3,145,372 in 2019/20) to fund other capital projects and pay the central government pool an amount of £474,443 (£474,443 in 2019/20).

H7 Capital Expenditure, Financing and Receipts

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

Notes to the Housing Revenue Account

31 March 2020 £000		31 March 2021 £000
204,429	Opening capital financing requirement	**204,429**
	Expenditure:	
16	Acquisition and Improvement of land	16
16,332	New build- dwellings	10,804
0	Re-provision of existing dwellings	34
506	Acquisition of existing dwellings	513
5,738	Improvement of housing stock and other buildings	4,609
	HRA Software	226
0	Financing:	
(3,850)	Capital receipts and contributions	(2,712)
(12,113)	Revenue #	(7,836)
(890)	Grants and Reserves	(1,045)
(5,739)	Major Repairs Allowance	(4,609)
0	GF Internal Financing	0
204,429	Closing capital financing requirement	**204,429**

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

31 March 2020 £000		31 March 2021 £000
918	Sale of Land	205
3,264	* Right to Buy	2,018
1,559	* Other	1,935
5,741	**Total**	**4,158**

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.

Notes to the Housing Revenue Account

2019/20		2020/21
£000		**£000**
0	Balance as at 1 April	**(807)**
(6,545)	Transfer to Capital Adjustment Account	(7,147)
5,738	HRA capital expenditure charged to Major Repairs Reserve	4,609
(807)	Total Expenditure	**(2,538)**
(807)	**Balance as at 31 March**	**(3,345)**

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		2020/21
£000		**£000**
(7,109)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**(7,021)**
1,662	(Loss)/Gain on sale of HRA non-current assets	2,465
(591)	HRA share of contributions to the Pensions Reserve	(329)
0	Reversal of Depreciation & Impairment	(2,833)
(6,545)	Depreciation	(7,147)
(1,426)	Revaluation	0
890	Capital Grants and Contributions	1,045
6,545	Transfer from Major Repairs Reserve	7,147
0	Accumulated Leave Reversal	(29)
12,372	Capital Expenditure funded by the HRA	7,836
12,907	**Adjustments between accounting basis and funding basis under statute (including to or from reserves)**	**8,155**
5,800	**Net increase/(decrease) before transfers to/from reserves**	**1,134**
0	Transfers To Earmarked Reserves	0
5,800	**Decrease in the HRA balance for the year**	**1,134**
(10,012)	HRA balance brought forward	(4,214)
(4,214)	HRA balance carried forward	(3,080)

Notes to 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					2020/21		
Non Domestic Rates £000	Council Tax £000	Collec-tion Fund Total £000		Note	Non Domestic Rates £000	Council Tax £000	Collec-tion Fund Total £000
			Income				
0	(116,519)	(116,519)	Council Tax	**CF1**		(121,905)	(121,905)
(90,483)	0	(90,483)	Non Domestic Rates	**CF2**	(73,582)		(73,582)
(90,483)	**(116,519)**	**(207,002)**	**Total Income**		**(73,582)**	**(121,905)**	**(195,487)**
			Expenditure				
0	0	0	Apportionment of previous years surplus/(deficit)				
4,333	0	4,333	Central Government		383	0	383
780	450	1,230	Cambridgeshire County Council		69	552	621
87	25	111	Cambridgeshire & Peterborough Fire Authority		8	30	38
0	72	72	Cambridgeshire Police and Crime Commissioner		0	94	94
3,467	82	3,549	South Cambridgeshire District Council		307	99	406
			Precepts and Demands				
42,407	0	42,407	Central Government		44,685	0	44,685
7,633	82,107	89,740	Cambridgeshire County Council		8,043	86,468	94,511
848	4,427	5,275	Cambridgeshire & Peterborough Fire Authority		894	4,586	5,480
0	13,933	13,933	Cambridgeshire Police and Crime Commissioner		0	14,801	14,801
33,925	9,093	43,018	South Cambridgeshire District Council		35,748	9,562	45,310
0	5,618	5,618	Special Expenses- Parish Precepts		0	5,882	5,882
			Charges to the Collection Fund				
(3)	10	7	Write Offs / (write backs)		50	(5)	45
327	246	573	BDP charge for year		760	193	953
2,437	0	2,437	Provision for Appeals		415	0	415
235	0	235	Cost of Collection Allowance		242	0	242
(270)	0	(270)	Transitional Payment Protection (TPP)		563	0	563
1,365	0	1,365	Disregarded Amounts		1,495	0	1,495
97,571	**116,062**	**213,633**	**Total Expenditure**		**93,662**	**122,262**	**215,924**
7,088	**(457)**	**6,631**	**Deficit / (Surplus) for the Year**		**20,080**	**357**	**20,437**
(5,332)	**(1,270)**	**(6,602)**	**Balance Brought Forward**		**1,756**	**(1,727)**	**29**
1,756	**(1,727)**	**29**	**Balance Carried Forward**		**21,836**	**(1,370)**	**20,466**

Collection Fund Balances:

Attribution of deficit/(surplus) carried forward:

2019/20					2020/21		
Non Domestic Rates	Council Tax	Collec-tion Fund Total		Note	Non Domestic Rates	Council Tax	Collec-tion Fund Total
£000	£000	£000			£000	£000	£000
			Proportional split				
878	0	878	Central Government		10,919	0	10,919
158	(1,231)	(1,073)	Cambridgeshire County Council		1,965	(974)	991
18	(66)	(49)	Cambridgeshire & Peterborough Fire Authority		218	(51)	167
0	(210)	(210)	Cambridgeshire Police and Crime Commissioner		0	(170)	(170)
1,054	**(1,507)**	**(454)**	**Total**		**13,102**	**(1,195)**	**11,907**
702	(220)	482	South Cambridge District Council		8,734	(175)	8,559
1,756	**(1,727)**	**28**	**Deficit / (Surplus)**		**21,836**	**(1,370)**	**20,466**

Notes to The Collection Fund

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: 63,093.3 for 2020/21, (62,576.2 for 2019/20). The basic amount of Council Tax for a Band D property £1,814.23 for 2020/21, (£1,750.82 for 2019/20) is multiplied by the proportion specified for the particular band to give an individual amount due.

2019/20		2020/21			
Equivalent Number of Band D Dwellings		Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equiva-lents
2.6	Band A Disabled	7.3	7.3	5/9	4.0
1,325.0	Band A	2,026.0	2,026.0	6/9	1,350.7
4,954.1	Band B	6,523.5	6,523.5	7/9	5,073.8
16,574.2	Band C	18,983.5	18,983.5	8/9	16,874.2
12,941.1	Band D	11,777.4	13,003.6	9/9	13,003.6
12,738.9	Band E	10,560.5	10,560.5	11/9	12,907.3
10,458.5	Band F	7,415.5	7,415.5	13/9	10,711.3
6,918.3	Band G	4,204.8	4,204.8	15/9	7,007.9
724.0	Band H	368.8	368.8	18/9	737.5
66,636.7	Total Band D	**61,867.1**	**63,093.3**		**67,670.3**
(3,765.0)	Less Band D equivalents entitled to Council Tax Support				(3,765.0)
81.7	MOD contribution				95.7
62,953.4	Total Band D Equivalents				**64,001.0**
(377.2)	Less Adjustment for Collection Rate		99.4%		(383.4)
62,576.2	Council Tax Base				**63,617.6**

Income of £115.4m for 2020/21 (£116.5m for 2019/20) was receivable from council tax payers.

CF2 Non Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (others) in 2020/21, (49.1p (small business) 50.4p (others) in 2019/20) 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 £188,877,313 (£189,016,311in 2019/20).

Group Accounts

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.

Group Accounts

Restated 2019/20					2020/21		
Gross Spend	Gross Income	Net Spend			Gross Spend	Gross Income	Net Spend
£000	£000	£000		Note	£000	£000	£000
			Continuing Operations				
2,757	(5)	**2,752**	Chief Executive & Chief Operating Officer		1,400	(308)	**1,092**
4,231	(506)	**3,725**	Finance		4,084	(187)	**3,897**
1,675	(236)	**1,439**	HR and Corporate Services		1,501	(298)	**1,203**
28,114	(25,398)	**2,716**	Housing		28,603	(26,843)	**1,760**
16,834	(9,453)	**7,381**	Shared Waste & Environment		16,187	(7,344)	**8,843**
1,649	(59)	**1,590**	Transformation		2,206	(182)	**2,024**
10,558	(5,138)	**5,420**	Planning		10,849	(5,470)	**5,379**
21,946	(32,869)	**(10,923)**	Housing Revenue Account (HRA)		20,439	(30,269)	**(9,830)**
4,860	(7,274)	**(2,414)**	Subsidiary Companies	**G1**	2,696	(6,227)	**(3,531)**
92,624	**(80,938)**	**11,686**	**Net Cost of Services**		**87,965**	**(77,128)**	**10,837**
		4,799	Other Operating Expenditure and Income	**9**			**3,803**
		6,048	Financing and Investment Income and Expenditure	**10**			**(17,698)**
		(27,004)	Taxation and Non-Specific Grant Income	**11**			**(31,934)**
		603	Tax expenses of Subsidiary Companies				**1,084**
		(3,868)	**(Surplus) / Deficit on Provision of Services**				**(33,908)**
		(29,019)	(Surplus) / Deficit on Revaluation of Property Plant & Equipment	**20a**			**(22,372)**
		(17,557)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	**32**			**21,085**
		(50,443)	**Total Comprehensive Income and Expenditure**				**(35,195)**

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	Subsidiary Companies	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2019/20	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 01 April 2019	**(13,435)**	**(28,282)**	**(10,012)**	**(9,500)**	**-**	**(11,052)**	**(658)**	**(740)**	**(73,679)**	**(233,237)**	**(306,916)**
Total Comprehensive Income and Exp.	**5,106**	**-**	**(7,109)**	**-**	**-**	**-**	**-**	**(1,866)**	**(3,869)**	**(46,574)**	**(50,443)**
Adjustment Between Accounting and Funding Basis Under Regulations	(9,224)	-	12,907	-	(807)	(779)	(20)	-	**2,077**	(2,077)	**-**
Net Increase / (Decrease) before Transfer to Earmarked Reserves	**(4,118)**	**-**	**5,798**	**-**	**(807)**	**(779)**	**(20)**	**(1,866)**	**(1,792)**	**(48,651)**	**(50,443)**
Transfer to Earmarked Reserves	3,796	(3,796)	-	-	-	-	-	-	-	-	**-**
Increase / (Decrease) in Year	**(322)**	**(3,796)**	**5,798**	**-**	**(807)**	**(779)**	**(20)**	**(1,866)**	**(1,792)**	**(48,651)**	**(50,443)**
Balance as at 31 March 2020	**(13,757)**	**(32,078)**	**(4,214)**	**(9,500)**	**(807)**	**(11,831)**	**(678)**	**(2,606)**	**(75,471)**	**(281,888)**	**(357,359)**
Movements in 2020/21	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total Comprehensive Income and Exp.	(26,260)	-	(7,021)	-	-	-	-	(627)	**(33,908)**	(1,287)	**(35,195)**
Adjustment Between Accounting and Funding Basis Under Regulations	16,950	-	8,155	-	(2,538)	(792)	(33)	-	**21,742**	(21,742)	**-**
Net Increase / (Decrease) before Transfer to Earmarked Reserves	**(9,310)**	**-**	**1,134**	**-**	**(2,538)**	**(792)**	**(33)**	**(627)**	**(12,166)**	**(23,029)**	**(35,195)**
Transfer to Earmarked Reserves	10,860	(10,860)	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	**1,550**	**(10,860)**	**1,134**	**-**	**(2,538)**	**(792)**	**(33)**	**(627)**	**(12,166)**	**(23,029)**	**(35,195)**
Balance as at 31 March 2021	**(12,207)**	**(42,938)**	**(3,080)**	**(9,500)**	**(3,345)**	**(12,623)**	**(711)**	**(3,233)**	**(87,637)**	**(304,917)**	**(392,554)**

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 £000		Note	31 March 2021 £000
	Long Term Assets		
549,334	Property, Plant & Equipment		580,678
100,249	Investment Properties	**G2**	159,643
535	Intangible Assets		661
2,496	Long Term Investments		4,979
747	Long Term Debtors		747
653,361	**Total Long Term Assets**		**746,708**
	Current Assets		
10,108	Short Term Temporary Investments		3,548
288	Inventories		248
5,900	Debtors and Prepayments		20,239
19,923	Cash & Cash Equivalents		19,754
-	Assets Held for Sale		-
36,219	**Total Current Assets**		**43,789**
	Current Liabilities		
(52,809)	Short Term Creditors		(59,080)
(2,400)	Revenue Grants- Receipts in Adv.		0
(10,000)	Short Term Borrowing		(19,000)
(1,301)	Cash & Cash Equivalents		(2,062)
(4,736)	Provisions		(4,645)
0	Short Term Leases		-
(71,246)	**Total Current Liabilities**		**(84,787)**
	Long Term Liabilities		
(57,352)	Pensions Liability		(81,158)
(202,917)	Long Term Borrowing		(230,123)
(706)	Long Term Prov. (Tax) (Group only)		(1,875)
(260,975)	**Total Long Term Liabilities**		**(313,156)**
357,359	**Total Assets Less Liabilities**		**392,554**
(75,471)	Usable Reserves		(87,637)
(281,888)	Unusable Reserves		(304,917)
(357,359)	**Total Reserves**		**(392,554)**

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		2020/21 £000
685	**Net Surplus/(Deficit) on Provision of Services**	**33,908**
50,529	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(2,673)
12,089	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(18,078)
63,303	**Net cash flows from Operating Activities**	**13,157**
(32,648)	Investing Activities	(28,974)
(18,495)	Financing Activities	14,885
12,160	**Net Increase or (Decrease) in cash and cash equivalents**	**(932)**
6,464	Cash and Cash Equivalents at the beginning of the reporting period	18,624
18,624	**Cash and Cash equivalents at the end of the reporting period**	**17,692**

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;

	South Cambs	Shire Homes	Total
	£000	£000	£000
Turnover	(5,717)	(772)	(6,489)
Service Expenses	2,779	762	3,541
Interest Payable	2,843	0	2,843
Interest and Investment Income Receivable	(1)	0	(1)
(Gain)/Loss on FV of Investment Properties	(1,606)	0	(1,606)
Tax Liability	1,085	0	1,085
Profit/(Loss) for the year after taxation	**(617)**	**(10)**	**(627)**
Useable Reserves			
Balance as at 01 April 2020	**(2,604)**	**(2)**	**(2,606)**
Profit/(Loss) for the year after taxation	(617)	(10)	**(627)**
Total company reserves position of Group Balance Sheet	**(3,221)**	**(12)**	**(3,233)**

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

	South Cambs	Shire Homes	Total
	£000	£000	£000
Property, Plant, Equipment	0	0	0
Investment Properties	90,175	0	90,175
Long Term Investments	0	0	0
Short Term Debtors & Cash	669	141	810
Short Term Creditors	(85,750)	(127)	(85,877)
Short Term Leases	0	0	0
Long Term Borrowing	0	0	0
Long Term Provisions (Tax)	(1,875)	0	(1,875)
Long Term Leases	0	0	0
Total assets net of Council share	**3,219**	**14**	**3,233**

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.

Investment Property assets relating to South Cambs Limited as at 31 March 2021 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.

2019/20		SCDC	SC Ltd	Shire Homes	2020/21
£000		£000	£000	£000	£000
(5,820)	Rental Income	(1,845)	(5,713)	(510)	(8,068)
4,050	Direct Expenses	703	1,746	324	2,773
(1,770)	**Total**	**(1,142)**	**(3,967)**	**(186)**	**(5,295)**

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.

2019/20		SCDC	SC Ltd	Shire Homes	2020/21
£000		£000	£000	£000	£000
60,560	**At 1st April**	**24,600**	**77,189**	**599**	**102,388**
38,073	Acquisitions	21,494	15,037	786	37,317
0	Disposals	0	0	(24)	(24)
1,616	Revaluation increase/(decrease) in CIES	23,374	4,687	(442)	27,619
100,249	**At 31st March**	**69,468**	**96,913**	**919**	**167,300**
	Fair Value:				
60,560	**At 1st April**	**24,600**	**77,189**	**599**	**102,388**
100,249	**At 31st March**	**69,468**	**96,913**	**919**	**167,300**

Fair Value Measurement of Investment Properties

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

The portfolio is valued in line with the accounting policy.

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

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

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

G3. Loans and Investments

The Council has undertaken fixed term investments of £84.572m (£72.180m 2019/20) 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 £52,172 in respect of vehicle contract hire were made in 2020/21 (£24,075 in 2019/20). South Cambs Ltd has operating leases with payments of £641,041 in 2020/21 (£612,652 in 2019/20) in respect of property leases. Shire Homes Lettings Limited had payments of £481,475 in 2020/21 (£322,594 in 2019/20) in respect of property leases.

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

2019/20		SCDC	SC Ltd	Shire Homes	2020/21
£000		£000	£000	£000	£000
(885)	Not later than 1 year	0	(666)	(485)	(1,151)
(667)	Later than 1 year, not later then 5 years	0	(2,271)	(491)	(2,762)
0	Later than 5 years	0	0		0
388	Future finance charges and other adjustments	0	242	42	284
(1,164)	Total	**0**	**(2,695)**	**(934)**	**(3,629)**

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 Council's group accounts.

Ermine Street Housing

Two employees (P Campbell and J Membery) and one member (Councillor I Sollom) are Directors of Ermine Street Housing. L Bisset (the Council's interim Director of Housing) resigned in May 2020 replaced by P Campbell (Head of Housing) appointed 04 May 2020 and J Membery (Head of Transformation) appointed 25 September 2020.

Shire Homes Limited

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

Annual Governance Statement

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/uksi/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 2019/2020 AGS was approved as part of the statement of Accounts in January 2023, 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 2019/2020 and AGS 2020/2021 being produced, this still provides an opportunity for the Council to document what has happened in the 2020/2021 financial year, through the Review of Effectiveness.

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

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

Annual Governance Statement

Introduction and purpose

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

Definition of Corporate Governance

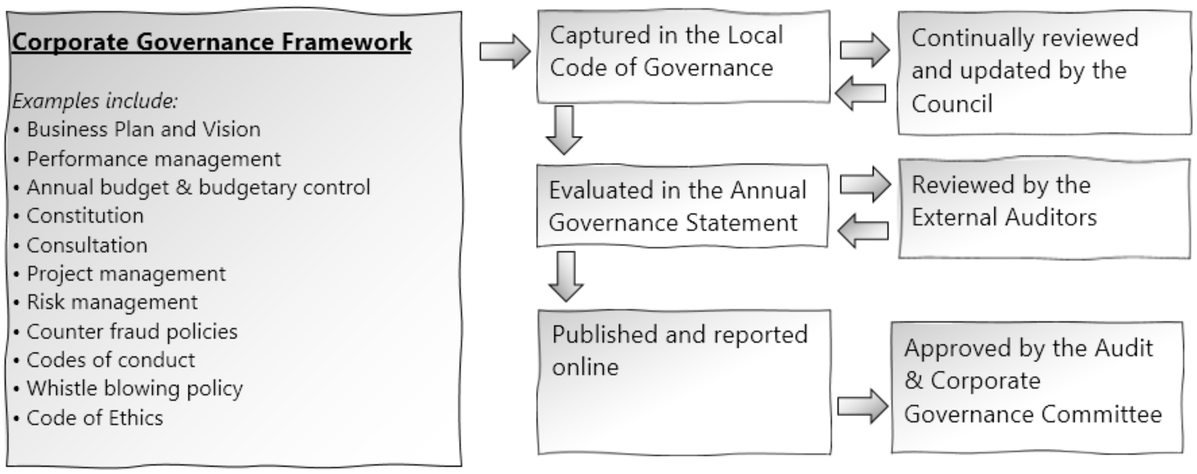
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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

The Governance Framework

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

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



The governance framework for the 2020/2021 financial year supports the Council aims and objectives, which are published on [our website][1]. 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][2] 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 2021, and up to the date of approval of the statement of accounts.

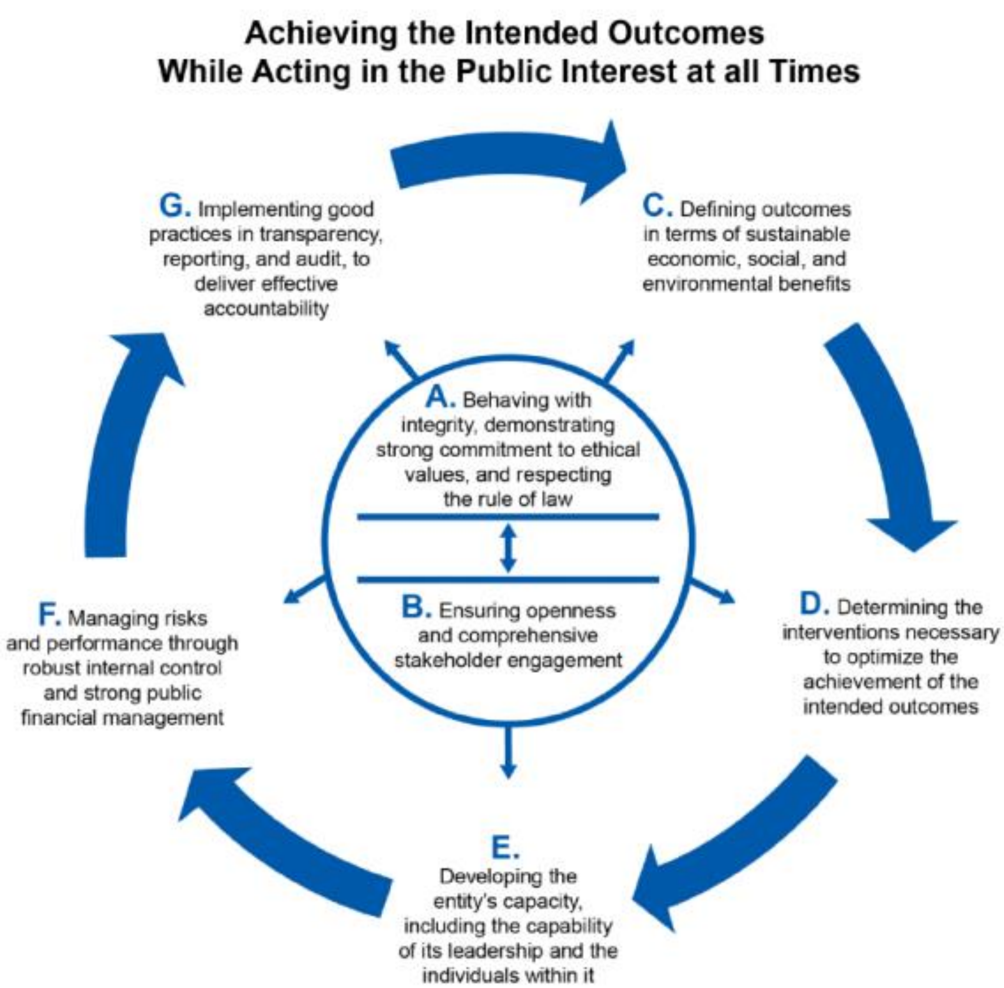
[1] https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/
[2] https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/our-business-plan/

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	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.
Audit and Corporate Governance Committee	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. 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.
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by the Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our website.
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website.

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement (AGS) 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.

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 regularly communicated to the Audit & Corporate Governance Committee throughout 2020/2021. The reports outlined the key findings of the internal audit work undertaken during the year, 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 2020/2021, and this remains at a similar level to the previous year.

Partnership Assurance

The Council has services which are delivered in partnership with other Councils. Where other Councils are the lead authority, they will provide assurance back to Cambridge City Council that controls are effective, and where there is opportunity for improvement. This includes Legal Services, plus Information and Communications Technology.

External Reviews

The Trade Waste function of the Shared Waste Services received positive assurance from their Internal audit reviews and maintained their accreditation with the ISO9001 (Quality Management) and ISO14001 (Environmental Management) standards following external inspections.

The Local Government and Social Care Ombudsman resolve complaints in the public sector and provides annual statistic on performance. No public interest reports were published.

External Audit

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260) for 2019/2020 was presented to the Audit & Corporate Governance committee on ???.

EY issued an "unqualified" audit opinion on the financial statements which provided assurance for the 2018/2019 Statement of Accounts. They issued an "except for 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 fourth 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 2019/2020 accounts were concluded in January 2023. 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.

The Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government to give a comprehensive picture of financial management in the Council.

Councils are required to be compliant with the code from the 2021/2022 financial year, and we must demonstrate that the requirements of the code are being satisfied.

An independent Internal Audit review of the Financial Management Standards (FMS) contained within the code has already been completed, to provide assurance and develop any actions needed to achieve compliance.

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.

Annual Governance Statement

It was an exceptional year and our Covid Response highlighted how our council services adapted to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working – including with communities and partners - to deliver the services that are important to local people and to respond to the challenges of Covid-19.

The pandemic has also illustrated how important ‘good governance’ has been to enable and sustain a whole system response. It has highlighted the systemic risks beyond the Councils control that can have a significant impact on achieving intended outcomes for the residents of South Cambridgeshire. This includes, for example, our ability to sustain partnerships, joined up delivery of services and multi-agency co-ordination mechanisms with police, fire, NHS, and other local authorities, where they are under significant strain, or under-resourced, or take a different approach to managing risk, accountability and transparency.

Progress from the last Annual Governance Statement

The Council prepared an Annual Governance Statement for 2019/2020 which was approved by the Audit & Corporate Governance Committee. An update on the previous action plans are included below:

Action	Update and status
Review of anti-fraud and corruption policies	The Council completes a continuous review of its counter fraud arrangements based on good practice. The policies were reviewed and approved by the Audit & Corporate Governance Committee in March 2022. The Whistleblowing Policy was approved in September 2022.
Capacity for decision making	We responded to external factors such as Covid-19 and Brexit. We reprioritised our resources to focus on the critical activities, and this helped us to deliver resources where it was needed most. Consequently, some activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member Elections were deferred to a later date. We worked with partners, through the local resilience forum, to manage the wider community impacts. The Councils Forward-Plan of work is regularly reviewed to ensure our activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and planned activities will be delivered at the earliest opportunity.

Action	Update and status
Resources	Unplanned events such as Covid-19 have the potential to drive significant budgetary constraints, with reduced income from commercial activities, fees and charges, plus potential increases to our expenditure and costs. This is in addition to existing uncertainty from known risks such as Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit. The Council delivered an updated Medium-Term Financial Strategy and commenced work on Financial Resilience to support the Financial Management Code. The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures. The Council maintains a Business Plan and ongoing revisions will recognise these pressures to help manage our financial resilience and stability.
Financial reporting	The Council completes Statement of Accounts, to report the financial position of the Council. This continuing risk of completing, auditing and approving Statement of Accounts to statutory deadlines has been recognised nationally across the Public Sector. Revised legislation was issued in response, temporarily extending the deadline for Councils, and there is now a staggered program of external audits. The 2018/2019 Statement of Accounts were audited and 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. The 2019/2020 accounts have been drafted and are expected to be concluded in January 2023. 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 & Corporate Governance committee informed on the progress. A timetable is in place to get the accounts up to date by the spring of 2023. 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, and continues to be recognised in our action plan for improvement.

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 2020/2021 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2019/2020 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
A	Behave: integrity, ethical values, respect rule of law	• We worked closely with Public Health colleagues to coordinate and support the wider county' public health response to the pandemic, including sharing local community intelligence to help contain outbreaks and reduce community transmission of the virus. We used our website to signpost to national guidance, policy and advice on Health and Safety. • Cabinet approved recommendations from the Scrutiny and Overview Committee Anti-Racism Task and Finish Group. • Council agreed to adopt the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme which had been recommended by the Constitution Review Task and Finish Group. The Constitution was modernised to reflect best practice and included a new glossary of common terms to make it easier to read.
B	Openness & stakeholder engagement	• We maintained openness through access to meetings, information and online support. The Cabinet held its first virtual meeting, maintaining governance during the pandemic. • We actively communicated with residents throughout the Covid-19 pandemic. This included using the website to signpost people to where they could get help, keeping them updated on changes to services, and financial support for businesses and residents. • Cabinet approved the draft Community Assets Transfer Policy, attached at Appendix A to the report from the Chief Executive, as the basis for considering requests for the transfer of community assets to relevant community-based organisations. • The Council maintains a webpage for consultations. During the year we engaged stakeholders by consulting on the Greater Cambridge Local Plan, the Resident Involvement Strategy 2020-2023 • Cabinet approved the introduction of five additional liaison meetings to support good engagement and active methods of community integration.

	Principle	Review of effectiveness
C	Defining outcomes - economic, social, environmental	• Cabinet agreed to adopt the updated Local Development Scheme for Greater Cambridge • Cabinet adopted the Doubling Nature Strategy, which set out in high-level terms the Council's approach to doubling nature in South Cambridgeshire; a vision initially agreed by the Council in July 2019. The Leader outlined how the Council would use its widening spheres of influence, on its own estate, through policies and through wider influence in partnerships and communities to achieve more wildlife-rich habitats, increased tree canopy cover and better accessibility to green spaces. • Council approved the revised terms of reference of the Climate and Environment Advisory Committee, to reflect recent developments including the climate emergency, resolving to transition to zero carbon by 2050; adopting "Being green to our core" as a corporate priority and developing the Zero Carbon Action Plan 2019-24. Council also adopted a Zero Carbon Strategy which provides an outline of the approach the Council is taking to supporting the transition to net zero carbon emissions by 2050.
D	Determine interventions to achieve outcomes	• In response to the Covid-19 pandemic we took swift action to help support the public and provided regular updates on our website. We also provided support to businesses by providing information, and financial assistance through the distribution of national and local business support grants. • Cabinet approved the Health & Wellbeing Strategy and Action Plan, noting its importance with post Covid-19 recovery of the District. • Cabinet approved recommendations from the Scrutiny and Overview Committee Covid-19 Response Task and Finish Group, to celebrate the success of the community response and ensure adequate resource is allocated for community recovery. • The Leader informed Council on our response to pandemic, to support the community, businesses, employees and members, and this was summarised in the Covid Response document. We worked with colleagues from the Greater Cambridge Partnership (GCP) and Cambridge City Council to enable us to respond quickly to the issues affecting businesses.

	Principle	Review of effectiveness
E	Develop capacity and capability of entity	• The pandemic challenged our capacity, consequently postponing elections, democratic meetings, and employees were not able to attend the workplace. Digital enabling technology enabled the Council to adapt and respond with different ways of working, and the Council resolved to approve the Standing Order for running remote meetings online throughout the year. • The County Council resolved to withdraw from the Joint Development Control Committee (JDCC), and consequently the JDCC would not be quorate. The Civic Affairs Committee recommended the creation of a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council, and the Standing Orders and Scheme of delegation were subsequently approved by Council. • The Council approved the appointment to the new post of Chief Operating Officer, which is a key role in working with elected members, the Chief Executive and senior management to shape and deliver the Business Plan priorities for this Council. • The Council appointed the independent remuneration panel members to advise on allowances, and independent and deputy independent persons to advise on complaints and the Code of Conduct.
F	Manage risk & performance, internal control, finance	• The Audit & Corporate Governance Committee approved the Treasury Management Annual Report 2019/2020 and the Mid-Year 2020/2021 report. • The Capital Programme was rephased due to the Covid-19 pandemic and change to the Public Works Loan Board rules, and Council approved the revised programme. • The Audit & Corporate Governance Committee received updates on the outcome of the Redmond Review and reports from the Financial Reporting Council, its recommendations for the public sector, and the work of external audit. • The Council maintains a Risk Management framework, which considers both risk and opportunity. We also considered risks in response to Covid-19 to help manage the impact with timely and proportionate mitigation, plus Brexit as part of our Contingency Planning. • There was a period of unplanned ICT outage during the year which impacted service delivery. Continuity and resilience plans were used to prioritise our services, and our customers were kept informed during our recovery process. Our software deployment protocols have been updated to reduce the likelihood of this risk reoccurring. The 3CICT service have agreed action plans to improve and develop controls identified as part of audit reviews.

	Principle	Review of effectiveness
G	Transparency, reporting, audit, accountability	• The Audit and Corporate Governance Committee approved the Final Statement of Accounts for 2018/2019. The Statement of Accounts for 2019/2020 were approved in January 2023. The ongoing challenge is recognised in our new action plan for improvement. • A limited assurance report was issued at South Cambridgeshire District Council for Planning Performance, in April 2021, and an action plan has been developed for improvement. A further follow-up review in November 2021 provided reasonable assurance as the Council had made satisfactory progress at implementing the action plan. • Cabinet received the Business Plan for 2021-2022.The accompanying Action Plan includes actions and achievements which were completed during the year.

Opportunities for Improvement

The governance arrangements continue to be regarded as fit for purpose in accordance with our framework and this is recognised in our conclusion below.

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 2020/2021 financial year and up to the date the Statement of Accounts are approved, and we also look ahead for potential issues from our risk management process, corporate plans and strategies. These focus on the following themes, which are developed into detailed action plans for improvement across our governance framework:

Governance Theme	Actions
Managing our recovery and resilience	
Transformation, resources and risk management	
Maintaining financial resilience and compliance	
Minimising the fraud and error risks	
Maintaining good ethical governance	
Proactively preparing for emerging legislative change	

Conclusion and opinion

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

No significant governance issues were identified from our review of effectiveness. We have identified opportunities for improvement, and these are included in our Action Plan above.

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.

Glossary

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.

Glossary

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 transactions include:

- 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.

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

Glossary

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.


Coton Margin (edge of Cambridge)

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Appendix B(i)

31 March 2020 £000		Note	Revised Draft 31 March 2021 £000	Published Draft 31 March 2021 £000	Difference Revised Draft v/s Published 31 March 2021 £000	Explanations
549,195	Property, Plant & Equipment	12	575,017	575,017	0	
24,600	Investment Properties	12a	75,497	76,921	(1,424)	Investment Properties overvalued - enhancements not offset against revaluations
535	Intangible Assets	36	293	293	0	
74,676	Long Term Investments	13	88,051	88,051	0	
747	Long Term Debtors	14	747	747	0	
0	Capital Programme		0	0	0	
649,753	**Total Long Term Assets**		**739,605**	**741,029**		
					0	
10,108	Short Term Temporary Investments	13	5,048	5,048	0	
290	Inventories	-	250	259	(9)	2019/20 Audit adjustments
6,055	Debtors and Prepayments	16	20,113	20,144	(31)	2019/20 Audit adjustments
19,360	Cash & Cash Equivalents	17	19,277	19,277	0	
0	Assets Held for Sale	35	0	0	0	
35,813	**Total Current Assets**		**44,688**	**44,728**		
					0	
(49,901)	Short Term Creditors	18	(59,480)	(36,815)	(22,665)	2019/20 Audit adjustments
(2,400)	Revenue Grants- Receipts in Adv.	18	0	0	0	
(10,000)	Short Term Borrowing	15	(19,000)	(19,000)	0	
(1,301)	Cash & Cash Equivalents	17	(2,062)	(2,068)	6	2019/20 Audit adjustments
(4,736)	Provisions	19	(4,645)	(4,645)	0	
(68,338)	**Total Current Liabilities**		**(85,187)**	**(62,528)**		
					0	
(57,352)	Pensions Liability	32	(82,078)	(82,078)	0	
(205,123)	Long Term Loans	13	(230,123)	(230,123)	0	
0	Capital Grants and Contributions	18(a)	0	(22,690)	22,690	2019/20 Audit adjustments
	Provisions			(2,386)	2,386	2019/20 Audit Adjustments
(262,475)	**Total Long Term Liabilities**		**(312,201)**	**(337,277)**	25,076	
					0	
354,753	**Net Assets**		**386,905**	**385,952**	953	
					0	
(72,866)	Usable Reserves	MIRS	(87,939)	(85,616)	(2,323)	2019/20 Audit Adjustments
(281,887)	Unusable Reserves	MIRS/ 20	(298,966)	(300,336)	1,370	Investment Property Revaluation adjustment and 2019/20 Audit Adjustments
					0	
(354,753)	**Total Reserves**		**(386,905)**	**(385,952)**	(953)	

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31 March 2020 £000		Note	Final 31 March 2021 £000	Revised Draft 31 March 2021 £000	Difference 31 March 2021 £000
549,195	Property, Plant & Equipment	12	580,678	575,017	5,661
24,600	Investment Properties	12a	69,468	75,497	(6,029)
535	Intangible Assets	36	661	293	368
74,676	Long Term Investments	13	89,551	88,051	1,500
747	Long Term Debtors	14	747	747	0
0	Capital Programme		0	0	0
649,753	**Total Long Term Assets**		**741,105**	**739,605**	
					0
10,108	Short Term Temporary Investments	13	3,548	5,048	(1,500)
290	Inventories	-	248	250	(2)
6,055	Debtors and Prepayments	16	20,388	20,113	275
19,360	Cash & Cash Equivalents	17	19,277	19,277	0
0	Assets Held for Sale	35	0	0	0
35,813	**Total Current Assets**		**43,461**	**44,688**	
					0
(49,901)	Short Term Creditors	18	(58,257)	(59,480)	1,223
(2,400)	Revenue Grants- Receipts in Adv.	18	0	0	0
(10,000)	Short Term Borrowing	15	(19,000)	(19,000)	0
(1,301)	Cash & Cash Equivalents	17	(2,062)	(2,062)	0
(4,736)	Provisions	19	(4,645)	(4,645)	0
(68,338)	**Total Current Liabilities**		**(83,964)**	**(85,187)**	
					0
(57,352)	Pensions Liability	32	(81,158)	(82,078)	920
(205,123)	Long Term Loans	13	(230,123)	(230,123)	0
0	Capital Grants and Contributions Provisions	18(a)	0	0	0
(262,475)	**Total Long Term Liabilities**		**(311,281)**	**(312,201)**	
					0
354,753	**Net Assets**		**389,321**	**386,905**	
					0
(72,866)	Usable Reserves	MIRS	(84,405)	(87,939)	3,534
(281,887)	Unusable Reserves	MIRS/ 20	(304,916)	(298,966)	(5,950)
					0
(354,753)	**Total Reserves**		**(389,321)**	**(386,905)**	

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Agenda Item 6

South Cambridgeshire District Council

Report to:	Audit & Corporate Governance	12 October 2023
Lead Cabinet Member:	Councillor John Williams Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

Key Amnesty Project

Executive Summary

1. This report provides a review of the Key Amnesty project led by the Corporate Fraud Team and supported by colleagues in Housing Services and the Communications team. The project had a number of key aims related to Social Housing Tenancy Fraud and was carried out during February 2023. It is generally accepted that a period of time following the amnesty should be allowed before assessing the outcome.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report.

Recommendations

3. **That Audit and Corporate Governance Committee note the review and success of the Key Amnesty project.**

Reasons for Recommendations

4. To note the report.

Details

5. In the current economic climate, there is an increased focus being placed on local government to protect public funds. The authority is an attractive target for fraudsters and is vulnerable to acts of fraud, corruption or irregularity. The current Cost-of-Living Crisis, compacted by financial recovery as the legacy of the Covid 19 Crisis, has broadened the scope and demand for anti-fraud services. Ongoing delivery of Central Government support packages and financial pressures have heightened incentive and risk of abuse.

6. The Key Amnesty project was aimed at tackling the significant issues relating to Social Housing Tenancy Fraud. It has been estimated that more than 100,000 social homes in the UK are subject to some form of tenancy fraud. [Figure based on Protecting the Public Purse report 2012]. Whilst this figure is a little out of date it is highly likely that this figure is now higher.

7. South Cambridgeshire District Council currently manages over five thousand tenancies within the district. Social housing tenancy fraud is the second-largest cause of Local Government fraud loses. When housing supply is reduced by fraudulent tenancies local councils carry the financial burden of providing accommodation for the homeless.

8. The project has a number of aspects to it and whilst one aspect is to encourage tenants who are occupying or sub-letting Council property contrary to their tenancy agreement to return their keys without facing criminal action, other aspects include the following:-

   a) Raising awareness and vigilance, this is promoted through provision of easily accessed resources to support the identification of fraud and to confidentially report suspicions of fraud on internal and external platforms.

   b) Support intolerance towards fraud within South Cambridgeshire communities through publicity and education to highlight the cost of fraud to the community.

   c) Provide accessible fraud awareness resources which empower the community to assist in identification and prevention.

   d) Assure South Cambridgeshire communities that fraud is taken seriously by the Council and that both proactive and responsive approaches are adopted to prevent and detect fraud and ensure finite assets are not misdirected.

9. All of these aspects support the counter Fraud and Error Strategy that was considered by this committee in July 2021 and adopted at cabinet in September 2021.

10. The media campaign commenced on 17th January 2023 and between then and the end of February reached over 42,000 people. Communities accessed information about housing fraud via Facebook, Twitter and Instagram. There was also media coverage by the Royston Crow, Cambs News, Cambridge Network, Cambridge Independent and TV West Anglia.

11. The amnesty itself started on 1st February 2023 and the Corporate Fraud team, in partnership with Housing services, ran the Campaign to raise awareness around social housing fraud and to provide an opportunity for those misusing social housing to return their keys. The campaign used the tag line #Dotherightthing.

12. As part of the education aspect tenants were written to directly in the interest of raising awareness of social housing fraud and explaining what social housing fraud might look like in a relatable way. Following the unprecedented circumstances of the Covid Pandemic, affecting the living arrangements of many, tenants were provided with an opportunity to return housing where it was not being used in accordance with tenancy agreements.

13. The campaign ended on 28th February but it was recognised that there would need to be a period of time afterwards to assess the impact of the project fully.

14. Between the period of 19 January 2022 to 31 March 2022, one (1) housing related referral was received compared to the period of 19 January 2023 to 31 March 2023

when sixteen (16) housing related referrals were received. These referrals only relate to housing fraud reports and exclude referrals relating to other fraud categories.

15. Housing reported 71 tenancy terminations in total in January and February 2023. In the same two months of the previous year there were 50. Housing report fluctuations each month between 20-40 individual terminations and the increase cannot be attributed specifically to the amnesty. Notice was provided in writing for each termination of tenancy as prescribed in the standard tenancy agreement. The reasons for each termination described mirror typical trends.

16. Following the success of the project it is proposed to carry out further fraud prevention work including a more general campaign around awareness and how residents can report their suspicions and help in the fight to combat fraud.

Implications

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

Legal

18. The work of the Corporate Fraud function supports the Chief Finance Officer and Council responsibilities to safeguard council assets under section 151 of the Local Government Act 1972.

Policy

19. The Fraud and Error Strategy adopted by Cabinet in September 2021 governs the Councils approach to fraud and error and the policies and practices adopted to robustly prevent and detect fraud against the Council in all its forms.

Finance

20. The additional cost was minimal and met from existing budgets. There would also be monetary savings from preventing acts of fraud but of course this cannot be quantified.

Risk/Opportunities

21. The Council is vulnerable to fraud in its many and varied forms and the Corporate fraud team are there to help mitigate this risk with prevention measures, detection and where appropriate prosecution of offenders. There is also a council wide fraud risk assessment which looks at the many risks across the council and the mitigation in place for each risk.

Climate Change

22. There are no direct environmental implications arising from the report.

Consultation Responses

23. Consultations have been undertaken with the Lead Cabinet Member for Resources and officers in Finance, Housing and Communications as appropriate.

Alignment with Council Priority Areas

24. The project supports all council priorities as robust fraud prevention and detection measures help mitigate the loss of funds through fraudulent activity. Those fund can then be used to fund services in all areas of the Council.

Background Papers

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

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Fraud and Error Strategy – Report to Audit and Governance Committee: 29 July 2021
- Fraud and Error Strategy – Report to Cabinet: 6 September 2021
- Internal Audit and Counter Fraud update – Quarterly report to Audit and Governance Committee.
- Fraud Risk Assessment.

Appendices

None

Links to Media articles

'Key Amnesty' to tackle misused South Cambs council properties | Royston Crow (royston-crow.co.uk)

South Cambridgeshire amnesty for housing fraudsters - CambsNews

Key Amnesty campaign to tackle misused Council properties in South Cambridgeshire | Cambridge Network

'Hand in your keys - no questions asked' - month-long amnesty will tackle misused council properties in South Cambridgeshire (cambridgeindependent.co.uk)

That's TV West Anglia on Twitter: ""if you're in the situation, then you put your keys in an envelope with the address on it" Cllr John Batchelor from @SouthCambs told That's TV about their #dotherightthing campaign, which is aiming to try and recover some of their Council houses. https://t.co/UD4BciYET0" / Twitter

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South Cambridgeshire District Council

Report to:	Audit and Corporate Governance Committee
Lead Cabinet Member:	Cllr John Williams
Lead Officer:	Anne Ainsworth

Six-Monthly Strategic Risk Report

Executive Summary

1. This report provides details of the council's current strategic risks, in the form of the Strategic Risk Register.

Key Decision

2. This is not a key decision.

Recommendations

3. It is recommended that Audit and Corporate Governance Committee:

   a) Review the current Strategic Risk Register at **Appendix A** and make any comments and suggestions as appropriate for future reporting on Risk.

Reasons for Recommendations

4. To ensure that the approach to managing, reporting and mitigation of strategic risks is appropriate across the Council.

Details

Risk Reporting Developments

5. Since September 2022 Leadership Team has overseen a review of our organisational approach to risk management. This has included:

   - A comprehensive review of the corporate risk register; facilitated by Risk Leads who have been established in each service.
   - Adoption of a simplified approach to the logging and reporting of risk as an interim solution, while other systems are reviewed.

- Transfer of the corporate home of risk management from the Finance team, to Policy and Performance (in the Transformation team, sitting alongside the performance reporting function).
- Ensuring adequate resources to support ongoing risk management.
- Review of strategic risks facing the organisation.

6. Following this change in approach, strategic risks were reported to Audit and Corporate Governance Committee in December 2022, where committee requested updates on strategic risks bi-annually.

7. Since December 2022 the following additional work has been undertaken in relation to risk management at SCDC:

    - Risk leads have worked with service managers to undertake further risk updates.
    - Service risk summary have been presented to Corporate Management Team (CMT)
    - Proposed strategic risks have been collated from CMT and reported alongside existing strategic risks to Leadership Team for review

8. We continue to make progress in embedding a culture of timely, appropriate review of risks and going forward CMT and Leadership Team will review risks quarterly at a minimum, with bi-annual updates for Audit and Corporate Governance Committee set to continue.

Risk Scoring and Categorisation Approach

9. In line with the council's Risk Strategy, the risks detailed at **Appendix A** have been scored using the following approach.

    An impact score has been assigned using the following categorisation:

Score	Impact
5	Critical
4	Significant disruption and/or damage
3	Noticeable effect
2	Some limited disruption
1	Virtually no impact

A likelihood score has been assigned using the following categorisation:

Score	Likelihood
5	Dead cert
4	Probable
3	Strong possibility
2	Some possibility
1	Little chance

These two scores have been multiplied to obtain a total score. For example:

Impact score 3 x Likelihood score 3 = Total risk score 9.

10. For each risk on the risk log, this approach has been undertaken to obtain both an 'Inherent Risk' score (the score prior to control measures being taken), and a 'Residual Risk' score (the score that is anticipated once control measures have been completed).

11. The risks at **Appendix A** are displayed in order of residual risk score, from high to low. In addition, a colour-coding system has been used to provide a visual indication of Inherent and Residual risk scores, as detailed below:

- Red is any strategic risk with a rating of 16-25 high risk
- Amber is any strategic risk with a rating of 12-15 significant risk
- Yellow is any strategic risk with a rating of 5-10 medium risk
- Green is any strategic risk with a rating of 1-4 low risk

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. There are no resource implications associated with the approach to risk management outlined within this report. Some of the risks reported on will have financial implications if risks are not mitigated as outlined or if external factors change. Timely review and appropriately planned mitigations will ensure these are identified as early as possible.

Alignment with Council Priority Areas

14. The management of risks affects all areas of the Council's business and inherently aims to support achievement of all priorities.

Background Papers

None

Appendices

Appendix A: Strategic Risk Register

Report Authors:

Kevin Ledger	Senior Policy and Performance Officer
Telephone:	(01954) 713621
Kate Yerbury	Policy and Performance Officer

Appendix A: Strategic Risk Register

URN	Risk Event	Leading To	Resulting In	Inherent Impact Score	Inherent Likelihood Score	Inherent Total Score	Control Measure 1	Control Measure 2	Control Measure 3	Residual Impact Score	Residual Likelihood Score	Residual Total Score	Owner	Status	Notes / Comments
SR15	Economic pressures increase, (including Cost of Living and changes to funding system).	Recession. Borrowing rates increase. Reduction in public spending. Restrictions on PWLB borrowing. Reduction in income from businesses and residents.	Impact on budgets (significant for 23/24 budget) and SCDC investment plans. Demand for services outstrip income. Economic growth reduces, impacting Local Government Settlement.	4	5	20	Medium Term Financial Strategy updated regularly to track potential impact on the Council before the impact actually occurs. Regular contact with Pixel our MTFS advisors. Reviewing projection regularly to check reasonableness. Continue to actively monitor situation at service and LT level	Economic Development Team in place bringing together Business Support and Commercial/Regeneration Investments Promote the support available to businesses and residents; remain open to discussion on payments and remain proactive on financial management of debtors	Refresh Investment Strategy. Transformation Programme (including Service Reviews) to continue to identify opportunities for financial savings	3	5	15	P Maddock	Open	The Fair Funding Review has been pushed back to 2025-26, however this does not have an impact on the risk score at this stage, just it's proximity.
SR03	Technical skill shortages, highly competitive employment market and high cost of living and housing in the region.	Difficulties recruiting, vacancies and shortage of skills and capacity in the organisation. Reliance on contractors. Increased stress and sickness.	Impact on service deliver. Failure to meet statutory deadlines. Damage to reputation and legal challenge. Increased expenditure due to use of contractors.	4	4	16	Use of apprenticeship opportunities to 'Grow our Own'. Launch of Management Apprenticeships scheme, Internal development opportunities for staff including secondments and training inc. funding for professional qualification	Keep pay, reward, benefits, staff satisfaction levels under review. Review and improve council 'brand' and marketing use of market supplements in place.	Trialling a 4 day week scheme, if successful will attract staff to the Council for better work/life balance	4	3	12	J Membery	Open	
SR21	Failure to deliver partnership working to deliver infrastructure.	Failure to delivery key infrastructure (such as water supply and electricity) and improved transport and infrastructure for the public.	Impacts implementation of the adopted Local Plan. Delays to delivery of strategic developments. Less opportunity to address climate change through improved connectivity.	4	4	16	Close working with partners at Cambridge and Peterborough Combined Authority and Greater Cambridge Partnership	Close collaboration on consultations emanating from CPCA, GCP and GCSPS to ensure project outcomes are aligned		3	4	12	S Kelly	Open	Note from Caroline Hunt - at this point in time infrastructure (particularly water) is a live factor delaying delivery of strategic developments.

RAG Rating Key: Red = high risk (scoring 16-25), Amber = signficant risk (scoring 12-15), Yellow = medium risk (scoring 5-10), Green = low risk (scoring 1-4)

Appendix A: Strategic Risk Register

URN	Risk Event	Leading To	Resulting In	Inherent Impact Score	Inherent Likelihood Score	Inherent Total Score	Control Measure 1	Control Measure 2	Control Measure 3	Residual Impact Score	Residual Likelihood Score	Residual Total Score	Owner	Status	Notes / Comments
SR23	Ability to deliver Local Plan due to limitations on water and utilities.	Delivery of key infrastructure across Greater Cambridge is critical to implementation of the Council's Local Plan, and improved transport and infrastructure for the public.	Delays to delivery of strategic developments. Less opportunity to address climate change through improved connectivity. Lack of utility provision such as water supply and electricity.	3	4	12	Effective input into infrastructure planning through engagement with statutory providers, or bodies like the Greater Cambridge Partnership.	Review of processes and systems to ensure most effective way is introduced.	Programme management resource to be recruited, along with use of Uniform/PM3.	3	4	12	S Kelly	Open	Residual likelihood score was lower but has increased due to current objections from the Environment Agency to major planning applications due to uncertainty over water supply.
SR24	Non-compliance with council housing legislation.	Risk to health and life.	Legal action. Reputational risk. Intervention by Regulator for Social Housing. At extreme corporate manslaughter.	4	4	16	Policies and procedures being developed to ensure assessments are carried out within timescales	Regular audits to ensure compliance with current regulations. and continuity checks with contractors records External contractor engaged to review compliance risks	External verification of processes	4	3	12	P Campbell	Open	
SR29	Demand for refugee housing outstrips supply.	Increased risk of homelessness.	Increased homelessness, impacts on refugee welfare, potential increase costs and impacts on staff stress levels.	4	4	16	Re-matching of Ukrainian refugees with hosts	General Housing Advice and intervention	Purchase of properties through Local Authority Housing Fund for refugees	4	3	12	P Campbell	Open	New risk added 05/07/23 following discussion at LT and based on discussion with Peter Campbell.

RAG Rating Key: Red = high risk (scoring 16-25), Amber = signficant risk (scoring 12-15), Yellow = medium risk (scoring 5-10), Green = low risk (scoring 1-4)

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SR02	Cyber security breach.	Risk of having data stolen and held to ransom – potential data breach for residents with sensitive data. Includes medical history and bank details and family history.	Implications, legal, financial, reputational.	5	3	15	Active intelligence client with 3CICT to ensure the risk management approach to cyber security is active and industry good practice.	Ensure risks are reported and discussed at IG boards, to Shared Service Boards and are included in the ICT Business plan.	We now have a cyber security team sat within 3C ICT - keep up to date with the latest cyber threats, ensure security releases are installed in Council devices and communicates with Intelligent Client where any potential security breaches occur.	5	2	10	J Membery	Open	Updated controls 05/07/23 as per converation with Jeff Membery. Additional control measures include: Risk Management Secure Configuration; Network Security; Managing user privileges; Incident management; User education and awareness; Malware prevention; Monitoring; Removable media controls; Mobile Working.
SR09	Failure to deliver Northstowe civic hub and other community buildings.	Risk of project failure to deliver on time and to budget.	Additional costs; reputational damage and/or delays to service and community provision.	5	3	15	Senior Responsible Officer structure in place; with leads for each aspect of the programme reporting to the Senior Responsible Officer	In July 2022 the Council agreed to provide additional financial support to deliver the buildings The Northstowe Delivery Group has been established to support the Council in delivering the buildings and includes representatives from the County Council and Town Council.	Programme Management in place to provide clear oversight and continuous review of progress and potential risks	3	3	9	A Ainsworth	Open	
SR11	Failure to effectively manage, control and utilise data and intelligence across the council.	Decisions and planning processes based on inadequate / missing information.	Reduced quality of delivery, reputational damage.	3	4	12	Community of Practice in development; options for service improvements and partnering being developed.	Completion of Data Maturity Self Assessment to help inform investigations into potential data strategies	Training, Protocols & Sharing agreements	3	3	9	A Ainsworth	Open	Risk re-scored by Jeff Membery following dsicussion at LT on 26/06/23. Increased from inherent score of 9 and residual score of 6.

RAG Rating Key: Red = high risk (scoring 16-25), Amber = signficant risk (scoring 12-15), Yellow = medium risk (scoring 5-10), Green = low risk (scoring 1-4)

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SR12	Failure to deliver programme of work to reduce SCDCs carbon emissions.	Failure to reduce our carbon footprint by 45% by 2025 and 75% by 2030.	Environmental and reputational damage. Reduced access to funding. Exposure to uncertainty linked to climate change (e.g. fuel costs).	3	4	12	Fleet - decarbonisation programme in place and funded Ensure electricity supply for electric vehicles - additional projects of solar farm for micro grid	Strategy and action plan delivery - this is monitored by CEAC and the programme of projects is monitored by the cluster board. Embed the business plan targets for climate change in other departments, not just the cluster.	Implementation of the Asset Management Strategy relating to our council stock with a focus on decarbonisation Utilising specialist skills and knowledge from the new repairs contract to support decarbonization, including supporting bids for funding.	3	3	9	B Esan	Open	
SR18	Organisational culture doesn't reflect organisational direction.	Inappropriate skills, behaviours and attitudes in Managers and Staff. Ineffective use of resources. Poor Member-Officer partnership working, and a lack of a joined-up approach.	Reputational damage, failure to deliver, loss of partner engagement, low retention and recruitment.	3	4	12	'Appraisal and performance management processes in place. Good recruitment practices, including recent changes to support improved diversity (e.g. blind recruitment). Inclusive & enabling organisational structure now Well embedded Development of Team Charters. Consideration of how to manage teams in a hybrid environment	Well-developed Comms strategy and significant programme of engagement and communications across the council, including: Awards ceremony and Town Hall sessions, Weekly Vlogs from CEO and Leadership Team, Corporate management Team (CMT) development/formal meetings and briefings, Insite opportunities to thank colleagues and celebrate excellence.	A range of internal and external training for all staff and members. Further development of CMT through a programme of training events, some of which will be mandatory.	3	3	9	L Watts	Open	
SR25	Ermine Street Housing (ESH) £100m investment fails to deliver return.	There are a range of factors that impact on ESH (included in the Housing Risk Register) that may impact on the future profitability on ESH.	Lower than anticipated returns on investment.	4	4	16	Interest Rates Rise - Strong financial management	House Price Deflation - House prices are more resilient in the Cambridgeshire Area. Business Model is less dependent on property values, rental income is more important	Property Condition - properties are generally new and in good condition. ESG will complete a stock condition survey to allow a long term investment plan together with an acquisition and disposal strategy	4	2	8	P Campbell	Open	Over time, a consequence of house price inflation will mean that value of assets will continue to grow, providing a buffer to ESH and protecting SCDC investment

RAG Rating Key: Red = high risk (scoring 16-25), Amber = signficant risk (scoring 12-15), Yellow = medium risk (scoring 5-10), Green = low risk (scoring 1-4)

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SR26	New Mears Contract fails to deliver service.	Repairs not being completed on time and/or poor quality. Dependence on one contractor.	Dissatisfaction from tenants and reduction in satisfaction levels potential action by regulator and risk of disrepair claims.	4	4	16	Robust monitoring of performance. Expectations and performance measures have been made clear at the outset of the new contract.	Monitoring of contract to include tenant representatives, which will feed into the Housing Performance Panel and Housing Engagement Board.	Robust procurement process including financial check on company.	4	2	8	P Campbell	Open	
SR30	4 day week trial is stopped prematurely by government.	Continued difficulties in recruitment and retention.	Reduced ability to deliver high quality services (particularly in areas such as Planning) and the rise of agency spend to cover posts that are not filled by permanent recruitment; impact on staff morale.	4	3	12	Concern raised by sector about government intervention has been strong, with responses sent by cross-sector membership groups	SCDC has requested a meeting with DLUHC minister to understand their concerns, given early evidence of positive outcomes of the trial (financial and staffing)	Continued use of external independent research team at Cambridge University's Bennett Institute to ensure objectively and independently verified data is produced	4	2	8	L Watts	Open	New risk added - July 2023
SR31	4 day week trial is unsuccessful in achieving its aims of solving recruitment and retention challenge.	Continued difficulties in recruitment and retention.	Reduced ability to deliver high quality services (particularly in areas such as Planning).	4	3	12	Trial is being carefully monitored by officers and members (through Scrutiny of KPIs by O&S and employment impacts by E&S Committees).	Use of external independent research team at Cambridge University's Bennett Institute will ensure objectively verified data is presented to members	Recruitment to new posts advertising the benefits of working in a 4 day week environment	4	2	8	L Watts	Open	New risk added - July 2023

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SR05	Failure to deliver organisational review and operating model.	The Council's operating model, organisational values, capabilities, and structure fail to deliver the Business Plan.	Limitations to service delivery, possible financial and legal penalties and reputational damage.	4	3	12	Engagement and comms plan for colleagues, members and Partners in place. Transformation Fund set up to resource change programme. Transformation projects and Board established to oversee delivery of objectives.	Service Review governance involves members of LT, ensuring input into definitions of objectives for reviews.	Increased number of cross service reviews requiring corporate monitoring and governance rather than relying on service only delivery	3	2	6	J Membery	Open	
SR16	Cost of living crisis – residents.	Increased costs of energy and fuel, housing and food, alongside stagnation / reduction of income (wages, social security benefits such as Universal Credit).	Housing, food, bills less affordable and residents (particularly the vulnerable but also those 'just about managing') suffer physically and financially.	3	3	9	Promote the existing mechanisms available for resident support (such as income maximisation advice, specialist debt advice, spreading payments, discretionary grants, food banks and vouchers, signposting more advice).	Implement new options agreed by Cabinet in Nov 2022, including discretionary housing payments, changes to Localised Council Tax Support, Discretionary Council Tax discounts, charitable giving, warm hubs, warm packs, community chest grants, improving access to affordable food.	Use of grant funding for additional staff for key areas, such as money advice and tenancy sustainability for those suffering from mental ill health	2	3	6	L Watts	Open	
SR20	Fail to harness synergies from partnership working (with e.g. CPCA, Health sector).	Fail to build programmes of work and improve existing services in line with available data, intelligence, partnership funding and collaboration opportunities.	Services not optimised or delivery prioritised as well as possible; funding opportunities not taken; residents failed by partners working in isolation.	3	3	9	CPCA Improvement Plan is supported by all CEOs across C&P and SCDC leads on one workstream	SCDC chairs the C&P Public Service Board which is creating a programme to create a network of officers from all organisations to learn and co-deliver new projects	SCDC CEO is on the Health & Wellbeing board and leading the housing and skills priority area for delivery of the Health and Wellbeing Strategy in December 2022. COO leads on a newly established C&P data sharing working group.	3	2	6	L Watts	Open	

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SR22	Failure to deliver housing and maintain 5 year housing supply.	Lack of suitable sustainable housing for residents The NPPF provide a tilted balance in favour of development applications.	Higher house prices, lack of workforce for businesses, shortage of transport and facilities. The NPPF provide a tilted balance in favour of development applications.	3	3	9	Authority Monitoring Report produced annually along with Housing Trajectory prepared in consultation with housing developers, to ensure an effective understanding of delivery.	Measures to support delivery through the planning application process, with Planning Performance Agreements put in place for strategic developments with established programmes and secured monies for staff.	Measures to address the delivery of infrastructure needed to support growth, such as the transport infrastructure programme of the Greater Cambridge Partnership. Review of the Local Plan, to ensure an ongoing policy framework and identified developments to meet future needs.	3	2	6	S Kelly	Open	At the moment the water issues have not impacted on housing land supply, therefore risk is unchanged.
SR27	Fire at Cambourne HQ	Loss of (all or part of) building, structural integrity leading to possible loss of life of, or injury to, staff or customers	Possible injury or loss of life, financial costs of damage to the building, disruption to Council operations and services. Possible reputational damage if firee detection or prevention systems are found to be inadequate.	5	3	15	Fire risk assessment completed, and regularly reviewed	Fire safety management plan up to date, and regularly reviewed, alongside training and test and live evacuation drills	Highest risks of fire are due to arson and electical faults. Regular monitoring of potential sources of ignition / clearance. Thorough testing is regularly undertaken (PAT and fixed wire testing)	5	1	5	L Jones	Open	Escalated from THC21 following discussion at 28/06 LT meeting

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SR14	Failure to catch up on producing the statement of accounts (SOA) (overdue, including approval of accounts to obtain unqualified audit opinion)	Resulting in increased stress and workload and diversion from other accounting responsibilities such as budget monitoring.	Reputational loss, and uncertainty over the Council's financial position	4	3	12	A Plan of actions and timetable is prepared for each statement of accounts, including supporting information for auditors whilst monitoring progress regularly to deadlines set. Close liaison with the auditors to ensure all requests are fulfilled on time.	The SOA preparation process has been updated and more automation introduced using the SOA explorer model. This means the statement and notes can be produced quicker and with more accuracy. There are two additional fte's dedicated to the accounts catch up process avoiding significant impact on BAU activities. Training is and will continue to be provided to colleagues to enable the transition to accounts preparation and audit to be carried out.	A report is due to be made to Audit Committee in July to agree a catch up plan between the Council and our auditors with a view to completing two audit cycles per financial year meaning that for the 2024/25 cycle we will aim to be up to date. Attendance at CIPFA / external audit final accounts workshops.	2	2	4	F Ahmed	Open	Additional resources to support and train the team as required in the interim period of catching up.
SR01	IT infrastructure failure	Complete loss of service and network connectivity in one or more service areas across SCDC	Potential to miss statutory obligations, risk to vulnerable residents; incurring financial penalties, and reputational damage.	4	2	8	Active intelligent client with 3CICT to ensure risk management approach to infrastructure failure is active and industry good practice (see notes for categories of control measures).	Ensure risks are reported and discussed at IG boards, to Shared Service Boards and are included in the ICT Business plan.	Services to ensure business continuity plans are updated by the end of Sept 2023 and submitted to a central registry (with hard copy also available). Hosted services can now be accessed directly rather than through network in event of failure. Communication through social media outside of the Council's network to mitigate impacts and ensure up to date comms.	3	1	3	J Membery	Open	Updated controls 05/07/23 as per converation with JM. Additional control measures include: split-site data centre, resilience built into hardware and software, separate networks for systems management and application, ability to reroute network traffic in the event of any failures, alternative power generation, data backup tools, 24/7 hardware support and maintenance, cooling, fire suppression and smoke detection, leak detection and site security.

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SR06	Failure of information governance, data management	Use of incorrect information and legal non-compliance. Loss or corruption of data, inability to access or share data.	Limitations to service delivery, possible financial and legal penalties and reputational damage.	3	2	6	Agreed additional funding for IG team to ensure review of processes to reduce likelihood of failure	Governance changes being introduced so cross council accountability is delivered and efficiencies obtained.	Continual development of training and awareness to reduce likelihood of unintentional failures.	3	1	3	J Membery	Open	
SR07	Lack of clear documented digital strategy	Ad-hoc delivery of digital projects not contributing to SCDC objectives, diverting resources	Reduced savings, more unintegrated systems and increased maintenance costs. Less joined up information.	3	3	9	Commissioned an external organisation (6x3) to complete and document digital strategy to guide future IT procurement and delivery.	Include LT in "signing off" the strategy to ensure corporate buy in	We now have a draft digital strategy which is in the process of being revised.	3	1	3	J Membery	Open	Updated controls (added measure 3) 05/07/23 as per converation with JM.

RAG Rating Key: Red = high risk (scoring 16-25), Amber = signficant risk (scoring 12-15), Yellow = medium risk (scoring 5-10), Green = low risk (scoring 1-4)

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Agenda Item 8

South Cambridgeshire District Council

REPORT TO:	Audit and Corporate Governance Committee	12 October 2023
LEAD OFFICER:	Head of Shared Internal Audit	

Governance Risk and Control Update

Executive summary

1. This report provides an update on topical news items which contribute to the Committee understanding of Corporate Governance Matters.

Key Decision

2. This is not a key decision because this is being presented to the Audit and Corporate Governance Committee in accordance with their terms of reference.

Recommendations

3. The Audit and Corporate Governance Committee is requested to note the report.

Reasons for Recommendations

4. The updates keep the Committee informed of key relevant matters.

Details

5. None.

Considerations

6. None.

Options

7. None.

Implications

8. In the writing of this report, there are no significant implications or risks to the Council.

Background Papers

9. Background papers used in the preparation of this report:

    - Committee Terms of Reference

Appendices

10. Appendices to this report include the update report.

Report Author:

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South Cambridgeshire District Council

Committee update October 2023

Introduction

Overview and background

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

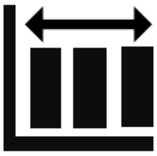
Committee Membership and Functions

Governance, Risk and Control

Internal Audit updates

Internal Audit reviews provide assurance on the Governance Risk and Control environment, and this contributes to the Annual Governance Statement.

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

Review	Assurance and actions		Summary of report
Grant assurance – Disabled Facility Grant 	**Assurance:** Current: Previous: **Actions:** Critical High Medium Low	 Full Full 0 0 0 1	This funding enables the Council to carry out improvements to housing stock and disabled adaptations. In 2022/23, a total of £729,973 was allocated to the Council. We reviewed a sample of grants, plus their supporting documentation. This provided assurance that: • grants were only awarded to eligible applicants; • applications were supported by a qualified independent medical referral; • 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 HIA; and • grants were used for capital expenditure as set out in the MHCLG conditions. We agreed a low-level actions to assist with record keeping and reporting on the new system. The Home Improvement Agency has also worked with the Legal team in response to recent case law. This will help alleviate the current challenge of meeting disabled people's needs by increasing the amount that can be funded by a DFG.

Review	Assurance and actions		Summary of report
Capital – Asset Register	**Assurance:** Current: Previous: **Actions:** Critical High Medium Low	 Reasonable New review 0 2 0 0	The Council maintains a Fixed Asset Register which lists capital items (e.g., property, plant and equipment) and their values. The balance in the draft 2020/21 Statement of Accounts is £575,936,000. The largest categories are Council Dwellings and Other Land and Buildings. The external auditors annual review highlighted opportunities for improvement. Our review focused on the progress in delivering these improvements, plus lessons learnt during the implementation of the new system. Data has been migrated from an excel spreadsheet onto a new dedicated system, the CIPFA Asset Register module (AMS). The new system is more resilient and is being used appropriately. Information regarding purchases, disposals, improvements, and revaluations is taken from the main accounting system, plus service heads, and valuation bodies where appropriate, and entered into the AMS. Sample reconciliations between both systems are completed. This provides assurance that there have been positive improvements. Only one member of the team had access to the AMS, and was familiar with the processes involved, creating a single point of failure. We have agreed two high level actions to develop procedure notes and train other members of the team for improved resilience and continuity.

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.

Independent member update

At the previous Audit & Corporate Governance Committee meeting it was decided to progress with the process for appointing an Independent Member.

The next stage was to consider this at Civic Affairs Committee. Following debate, the committee agreed to recommend that Council changes the Constitution to allow the appointment of an Independent Member to the Audit and Corporate Governance Committee, noting that they should:

a) not have voting rights;
b) be on the electoral roll; within the Cambridgeshire area; and
c) the recruitment process to be delegated to the Audit & Corporate Governance Committee

A report has been prepared for review at Council on the 5th October, as it requires a change to the Constitution. This will enable officers to commence the process for appointing an Independent Member with powers which are based on best practice guidance.

CPCA Single Assurance Framework

We are working with colleagues across the Cambridgeshire County to share best practice on performance management, governance and risk management. This is helping the Cambridgeshire & Peterborough Combined Authority to develop their new Single Assurance Framework, and will assist with partnership working in future.

Audit plan updates

Following the previous committee meeting we have met with Human Resources and are developing our plan for a review of Human Resources – Learning & Development. We have also been requested by the S151 Officer, on behalf of DLUHC, to provide interim assurance on grant expenditure for the Changing Places fund.

Risk Management

We are working with the Performance Management team to help review and make improvements to the Risk Management framework, advising on best practice and completing data analytics. This also helps us to conclude how effectively risk management is embedded when completing our opinion for the Annual Governance Statement.

A six-monthly update report on Strategic Risks is on the agenda for the Committee.

Counter Fraud update

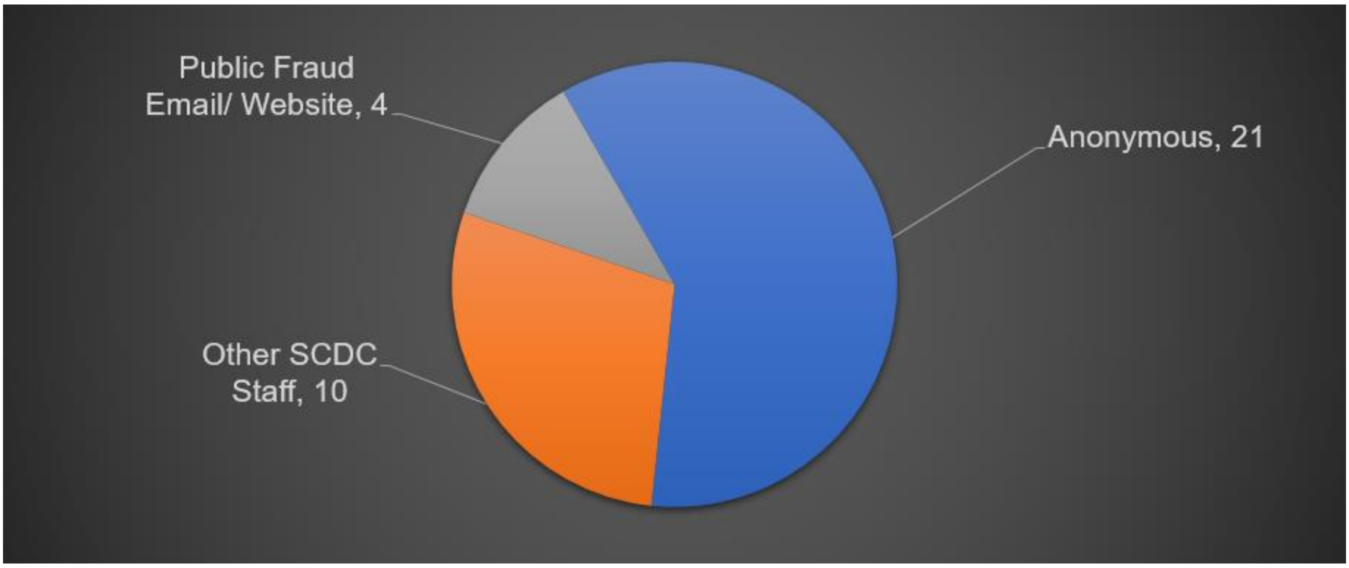
Fraud Team Statistics – our quarterly position

We have included fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress. 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:

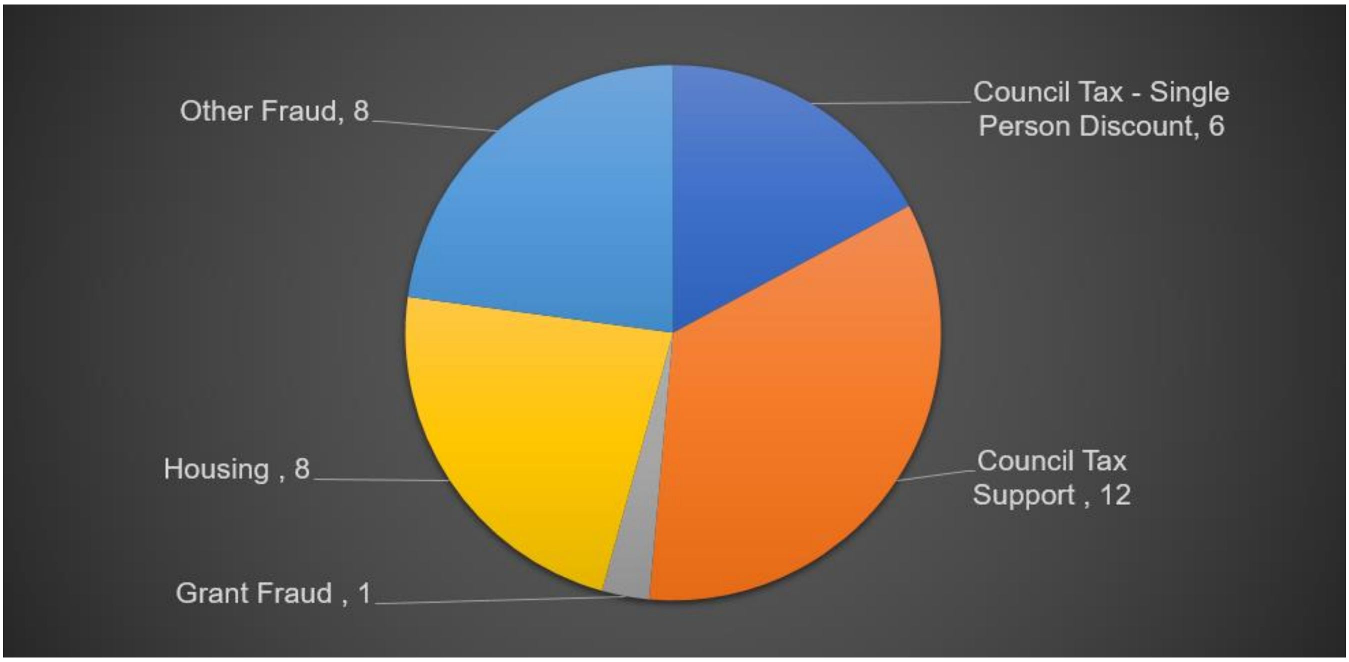
Source category	Count Q1
Anonymous	21
Other SCDC Staff	10
Public Fraud Email/ Website	4
Grand Total	35



Fraud by type

Analysis by fraud type:

Type category	Count Q1
Council Tax - Support	12
Council Tax - Single Person Discount	6
Housing	8
Grant Fraud	1
Other Fraud	8
Grand Total	35



Investigations in progress

Case Status	Number of Cases	Key
Live Investigation	52	
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	7
A10 No criminal Action, referred for Civil Action.	0
A11 Not investigated, passed for visit	0
A13 Not investigated - not on benefit	0
A4 Closed - claimant error only	0
A5 Closed- no fraud established	13
A7 Not investigated - passed to DWP	5
A17 Would not affect benefit entitlement	3

Whistleblowing

Referrals received in the period:	1

RIPA (Regulation of Investigatory Powers Act)

Cases of RIPA used in period:	0

Training and development and risk insight

Below are topical updates that the Committee may find useful.

Future pandemic and extreme weather among key threats to UK

The BBC reported that a future pandemic and extreme weather caused by climate change are among the key risks facing the UK, according to a new government register.

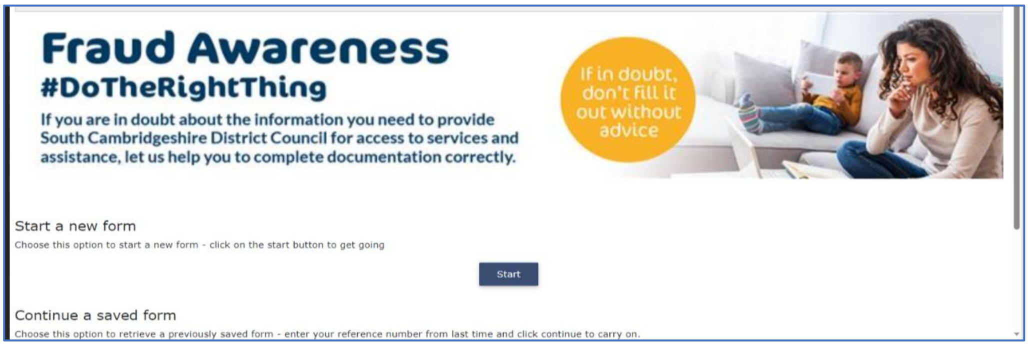
It has been published to help the UK prepare for "worst-case scenarios" of some of the most serious threats. It updates the previous version published in 2020.

OFLOG

The Office for Local Government (Oflog) was launched in July. Their vision is to provide authoritative and accessible data and analysis about the performance of local government, and support its improvement.

Fraud prevention update

Prevention is an important aspect of our Counter Fraud arrangements. These are some of the activities currently in progress:

Campaign	The general fraud campaign is being developed to include a banner style insert on online applications: 
Verification	Officers continue to work with colleagues across the business to undertake verification work and respond to any fraud related enquiries and provide advice.
Relaunch of Trust ID planning	Trust ID is a cloud-based application which provides assurance that identification documents are genuine. Customers are asked to use a link to take pictures of identification and a live picture of themselves. A report is then produced to indicate if the identification is genuine and can be accepted in support of applications for services.

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.

Note

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

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South Cambridgeshire District Council

Report to:	Audit & Corporate Governance	12 October 2023
Lead Cabinet Member:	Councillor John Williams Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

Treasury Management – Annual Report 2022/2023

Executive Summary

1. This report outlines the Treasury Management activities in the financial year 2022/2023 and invites the Audit and Governance Committee to note the Treasury Management performance and approve the report.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendations

3. **That Audit and Corporate Governance Committee is requested to consider the report, to seek any clarification and, if satisfied, approve the Treasury Management Annual Report for 2022/2023.**

Reasons for Recommendations

4. To consider a report on Treasury Management activities during the financial year 2022/2023.

Details

Treasury Portfolio 2022/2023: Summary Position

5. The summary position as at 31 March 2023 (with comparable data for 31 March 2022) is shown below:

	31 March 2022		31 March 2023	
Borrowing	**£000**	**Rate %**	**£000**	**Rate %**
PWLB	205,123	3.51	205,123	3.51
LOBO - Market	Nil		Nil	
Local Authority	50,000	0.35	40,000	2.86
Other Long-Term Liabilities	Nil		Nil	
Total Debt	**255,123**		**245,123**	
Investments	**(117,560)**		**(138,860)**	
Net Borrowing/(Investment)	**137,563**		**98,860**	

Investments and the Economic Landscape

6. Investments are categorised into long and short term (i.e. less than 365 days). The sum of £26 million had less than one year to maturity as at 31 March 2023 and is, therefore, classified as short term. The remaining balance held of £107.9 million is classified as a long-term investment. The increase in Long Term Investments reflects the increased allocation to South Cambs Limited and loan to Cambourne Town Council during the year. A summary of the investments held is shown below:

	Balance 01/04/2022	New Investments	Maturities/ Sales	Interest Accrued	Balance 31/03/2023
	£000	£000	£000	£000	£000
Investment Counterparty					
Short Term:					
Clearing Banks	Nil	22,000	15,000	57	7,000
Other Banks	8,000	66,000	74,000	115	Nil
Building Societies	2,000	30,000	32,000		Nil
Housing Associations	3,500		3,500		Nil
Local Authorities	2,500	83,000	66,500	44	19,000
Money Market Funds	2,155	295,845	295,635		2,365
Call Account	1,885	44,507	43,797	5	2,595
Long Term:					
Other Banks	0	5000			5,000
CLIC (Ice Rink Loan)	2,400			103	2,400
South Cambs Ltd	94,620	5,380		1,302	100,000
Cambourne Town Council	500			3	500
Total Investments	**117,560**				**138,860**
Increase/(Decrease) in Investments					**21,300**

7. The economic landscape continued with a degree of uncertainty and volatility during 2022/2023, with high inflation, increasing interest rates and unstable exchange rates as recurring themes. Consumer Price Index (CPI) inflation, as a measure of price rises, increased by 10.1% in the 12 months period to March 2023 (based upon the Office for National Statistics (ONS) information). This acted as a dampener on growth during 2022/2023 and has had an impact on Council services. Whilst the prospects for economic growth and recovery are regarded as more encouraging, a cautious approach must be maintained given the level of uncertainty caused by the multi-decade high inflation, war in Europe for the first time in 75 years and necessary financial tightening by the Bank of England to control the economy.

8. In response to the prevailing economic conditions the Bank of England Base Rate increased several times during the financial year 2022/2023. The increase from 0.5% to 0.75% from 17 March 2022 was followed by further increases during the year, culminating in an increase to 4.25% effective from 23 March 2023. The base rate influences the interest rates that lenders charge for mortgages, loans and other types of credit. The Council itself lends its cash balances externally on a short-term basis,

with a view to generating a return that can be spent on delivering Council services whilst managing both security and liquidity of the cash.

9. Whilst there is marginal benefit from prevailing interest rates in terms of investment returns, local authorities have experienced unforeseen cost pressures as a result of increased energy prices, spiralling inflation, and national living wage pressures. The cost-of-living crisis has created a perfect storm of increased public demand for services, coupled with rising fuel and other bills for Councils. Without funding to offset this crisis, Councils could have to scale back construction projects or make in-year reductions to services. This has prompted Councils to make recalculations and to look at further cuts as they battle budgetary pressures, exacerbated by rising costs.

10. Investment returns remained relatively low but improved during 2022/2023 as a consequence of increasing investment rates. Traditionally investment returns have been measured against the London Interbank Bid Rate (LIBID) for short-term lending but, following the discontinuation of published 7 Day LIBID rates from 2022/2023 onwards, the Council is now benchmarking its investment rates to the average 7 Day SONIA (Sterling Overnight Index Average) rate as an alternative. This is being used as the comparative benchmark as SONIA can be seen as the average interest rate at which a selection of financial institutions lend to one another with a maturity of 1 day (overnight), therefore, reflecting the callable nature of the majority of the Council's short-term investments. Average 7 Day Sonia increased from 0.69% as at 1 April 2022, to 4.18% as at 31 March 2023 with consequent investment benefits. The Council's actual return of 4.21% in 2022/2023 shows the effect of the portfolio's long-term duration set out in the table above.

11. In respect of investments generally, the overall structure of interest rates has for some time meant that short term rates have generally remained lower than long term interest rates. In this scenario, the strategy has continued to be to reduce investments and borrow for short periods and possibly at variable rates when required. However, this needs careful review to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure and/or refinance maturing debt.

12. The Council's primary objective in relation to its investments is to ensure that long term capital is not put at risk but that, within acceptable risk parameters, the portfolio is managed to ensure that interest is maximised. Liquidity is managed through the use of money market funds with additional access to the liquid PWLB and Local Authority borrowing market. This objective is reinforced in the Treasury Management Strategy approved by Council on 21 February 2023. The Council has also appointed a Treasury Management Advisor, Link Asset Services, to enable independent specialist advice to be obtained on all aspects of the treasury management function, including advice on investments.

13. The Council holds £40 million of Short-term borrowing from other Local Authorities. This funded the acquisitions of Commercial Properties and partly funded the loan to the South Cambs Investment Partnership.

14. The table below lists the £31 million held in fixed term investments as at 31 March 2023. These investments are deposits with a number of Local Authority and Banks to maintain diversification:

	Amount £000	Interest £000	Total £000	Term Days	Rate %	Maturity Date
Counterparty						
Leeds City Council	3,000	20	3,020	60	4.00	03 April 23
West Yorkshire CA	1,000	1	1,001	11	4.70	11 April 23
Santander	5,000	47	5,047	91	3.80	13 April 23
Santander	2,000	26	2,026	119	3.99	18 May 23
Central Beds Council	3,000	22	3,022	59	4.48	22 May 23
Moray Council	5,000	112	5,112	176	4.65	7 Sept 23
Eastleigh Borough Council	2,000	46	2,046	184	4.60	28 Sept 23
Eastleigh Borough Council	3,000	72	2,072	191	4.60	5 Oct 23
Folkestone & Hythe DC	2,000	71	2,071	290	4.45	14 Dec 23
Close Brothers Ltd	5,000	320	5,320	731	3.20	12 July 24
Total	31,000	738	31,738			

15. The remaining £7.9 million of short-term investment balances were held in Money Market Funds and the Council's Call account for liquidity purposes.

16. Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy, as set out in its Treasury Management Strategy Statement for 2022/2023, which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

17. All new investments are undertaken in accordance with advice from the Council's Treasury Management Adviser. A list of investment counterparties used during 2022/2023 is listed in **Appendix A**.

Borrowing

18. At 31 March 2023 the Council had external borrowing of £245.123 million:

	Balance 01/04/2022 £000	Maturing Debt £000	Reclassified Debt £000	New Debt £000	Balance 31/03/2023 £000
Borrowing					
Short Term Borrowing	50,000	50,000		40,000	40,000
Long Term Borrowing	205,123				205,123
Total Borrowing	**255,123**				**245,123**
Other Long-Term Liabilities	-				-
Total External Debt	**255,123**				**245,123**

19. £205,123 million of the total relates to borrowing from the PWLB. The PWLB loans were obtained for Housing Revenue Account (HRA) purposes as part of the HRA

Self-Financing in 2012. These loans are fixed interest maturity loans having an average term to maturity of approximately 25 years and bearing interest at an average rate of 3.51%.

Cash Management

20. In keeping with the DLUHC's Guidance on Investments, the Council maintained a sufficient level of liquidity averaging £11.6 million through the use of Money Market Funds, Notice accounts and Call accounts.

21. Internal Treasury Management includes the management of the Council's bank account balances. The aim is for all cleared funds to be deposited in interest bearing accounts or time deposits.

Outturn Budget Monitoring

22. Council, at its meeting on 22 February 2022, approved a net budget in 2022/2023 for interest payable of £0.359 million and investment income of £5.456 million. Whilst there was a lower than forecast borrowing requirement, interest rate increases particularly in the second half of the year contributed to an increase in interest payable. Capital expenditure in 2022/2023 was lower than expected and Minimum Revenue Provision (MRP) cost remained as expected as the figure is based on the opening position and not affected by in year activity. MRP is not applied to lending to South Cambs Ltd.

23. The budget is compared to the final outturn position in the table below:

	Budget 2022/2023	**Provisional Outturn 2022/2023**	**Variance**
	£000	**£000**	**£000**
Expenditure Description			
Interest Payable - PWLB & Short-Term Loans	359	591	232
Contribution to/(from) Reserves (*Est)	(2,849)	828	3,677
Minimum Revenue Provision	1,090	1,090	0
Interest Receivable	(3,648)	(5,078)	(1,430)
Net Expenditure	**(5,048)**	**(2,569)**	**2,479**

24. The significant variances against budget were the Contribution to Reserves and Interest receivable. The Reserves are estimated to increase by £0.828 million rather than the reduction forecast. This change to contribution is related to the slippage on the Greening of South Cambs Hall project and associated reduction in the contribution from the Renewable Reserve. These changes also led to lower amounts of interest being payable as borrowing balances were smaller.

Benchmarking

25. Benchmarking data is also provided by the Council's Treasury Management Adviser. Investment return rates for the year to 31 March 2023 (excluding lending to South Cambs Ltd) are reported on a quarterly basis and were better than the client average and can be compared as follows:

	Investment Returns	
Quarter Ending	**SCDC**	**Client Average**
30 June 2022	1.33%	0.92%
30 September 2022	2.01%	1.70%
31 December 2022	3.36%	2.86%
31 March 2023	4.10%	3.60%

26. Benchmarking data on average weighted credit scores of the Council's counterparties (based in information held by the Council's Treasury Management Adviser) is set out in the table below and illustrates the credit risk position in relation to other Councils:

	Weighted Average Credit Risk	
Quarter Ending	**SCDC**	**Comparators**
31 March 2022	4.35	2.95
30 June 2022	4.98	3.21
30 September 2022	4.30	3.09
31 December 2022	3.84	2.98
31 March 2023	2.70	2.97

27. The benchmarking shows that the Credit Risk on the Council's portfolio has reduced during the year although it often has a higher than average Credit Risk compared to other District Authorities. The Council has maintained investment returns significantly above the client average.

Treasury Management Strategy for 2022/2023

(a) Interest Rates and Investments

28. The Treasury Management Strategy for 2022/2023 was prepared in the context of low, but increasing interest rates, with the Bank of England Base Rate responding to economic conditions by initially increasing the rate from 0.5% to 0.75% from 17 March 2022, followed by several further increases during the year, to its current level of 4.25% effective from 23 March 2023. This intervention in the financial markets has continued to affect investment returns from the Council's holdings.

29. The Council continued its policy of minimising risk by investing in Fixed Deposits only with highly rated Banks and Building Societies, Local Authority Counterparties and Registered Providers and using Money Market Funds and Bank Call Accounts to manage liquidity. This policy coupled with using pooled fund investments (suitably diversified) to maximise interest return on an element of the Council's portfolio has enabled the Council to reduce the cost of Capital Financing.

(b) Borrowing

30. The 2022/2023 borrowing strategy was based upon obtaining new loans of £30 million to fund the capital programme, in addition to £50 million of existing short term borrowing. Capital expenditure saw significant change related to the Investment

Strategy and was significantly lower than planned due to changes in PWLB lending rules. This change and careful management of cash flows and short-term borrowing enabled the Council to fund the capital programme without entering into long term borrowing. The Council had £40 million in Local Authority Loans outstanding as at 31 March 2023 with no further borrowing being required for the Capital Programme and £10 million of short term borrowing being repaid during the year.

31. During 2022/2023 there was a requirement for short term external borrowing of £40 million and this has been used to fund past capital expenditure. This is inclusive of additional loans to the value of £5.38 million made to South Cambs Limited. These loans are recognised as capital expenditure in the year increasing the Council's underlying need to borrow (the Capital Financing Requirement).

	Actual 2021/2022 £'000	Budget 2022/2023 £'000	Actual 2022/2023 £'000
Capital Financing Requirement (CFR) as at 1st April			
- General Fund	127,130	126,017	126,017
- HRA	204,429	204,429	204,429
Total	**331,559**	**330,446**	**330,446**
Change in the CFR	28,220	5,500	0
Minimum Revenue Provision	(1,113)	(1,090)	(1,090)
Capital Financing Requirement (CFR) as at 31 March	**330,446**	**334,856**	**329,356**

Economy

32. The Council's Treasury Management Advisers have provided a summary of the economy during 2022/2023, and related performance, and this is included at **Appendix B**.

Compliance with Performance Indicators

33. During the financial year the Council operated within the treasury limits and prudential indicators approved by Full Council on 22 February 2022.

34. Performance against prudential indicators in 2022/2023 was as follows:

(1) Acceptance of the CIPFA Treasury Management Code of Practice (National Indicator)

This indicator demonstrates that the Council adopted the principles of best practice. The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in January 2012. The Council adopted the CIPFA Treasury Management Code & Guidance Notes as part of its Treasury Management Policy and Strategy which was considered and approved at its meeting on 22 February 2022.

(2) Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures is expressed as the proportion of net principal borrowed.

Maturity structure of borrowing	Under 12 months	More than 12 months	Under 12 months - Actual	More than 12 months - Actual
Upper limit for fixed interest rate exposure	100%	100%	100%	100%
Upper limit for variable rate exposure	100%	0%	0%	0%

(3) Maturity Structure of Fixed Rate Borrowing

35. This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Fixed Rate Borrowing		
Lender	Repayable within	Amount £,000
Local Authorities	<12 Months	40,000
PWLB	10 – 15 years	25,000
PWLB	15 – 20 years	50,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	30,123

The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment.

(4) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

The only loans exceeding 364 days are loans made to South Cambs Ltd, a wholly owned subsidiary of the Council, and Cambridge Ice and Leisure Centre (CLIC). Lending to CLIC formed 2% of the investment portfolio as at 31 March 2023.

The limit relates to the maximum amount that can be invested in year. With regard to liquidity, no more than 50% of the total average portfolio held will be invested in instruments over 364 days, excluding South Cambs Ltd.

(5) Credit Risk

The Council considers security, liquidity, and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength and information on corporate developments and market sentiment towards counterparties. The following key tools are used, either by the Council or the appointed Treasury Advisers to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns).
- Sovereign support mechanisms.
- Credit default swaps (where quoted).
- Share prices (where available).
- Economic fundamentals (such as a country's net debt as a percentage of its GDP).
- Corporate developments, news, articles, markets sentiment and momentum.

The only indicators with prescriptive values are credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

(6) Liquidity Risk

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Implications

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

Legal

37. The Council is required to have regard to the CIPFA Code of Practice for Treasury Management in the Public Services. The Code recommends that an annual post year report on Treasury Management activities is prepared for consideration after each year end.

Policy

38. Full Council, at its meeting on 22 February 2022, approved the Council's Treasury Management Policy and Strategy Statements for 2022/2023 and the Strategy was reaffirmed by Audit and Governance Committee, at its meeting on 1 December 2022, following a mid-year review.

Finance

39. In 2022/2023 the Council managed a turnover in investments of £565 million (£419 million in 2021/2022) in-house within the Finance Team in the Finance Directorate. As at 31 March 2023, the Council had funds to the market value of £139 million (£117.6 million at 31 March 2022), all managed in-house. These funds include capital balances, reserves, and provisions, collection fund monies and monies held on behalf of third parties. The increase was due primarily to retained business rates.

40. At 31 March 2023 the Council had external borrowing of £245.123 million plus £Nil million of leasing liabilities.

Risk/Opportunities

41. There are clearly inherent risks in placing investments both in terms of the security of the capital invested and the level of return from the investment. The approved Treasury Management Strategy 2022/2023 identified the Councils investment priorities as:

(i) The security of the capital;
(ii) The liquidity of its investments.

42. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments.

43. The Treasury Management Strategy states that the Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.

44. The Council engages an external Treasury Management Adviser to provide appropriate and timely advice on the Council's treasury portfolio (and, in particular, to provide advice on counter-party creditworthiness and investment limits). This appointment is regarded as critical given the investment risks.

Climate Change

45. There are no direct environmental implications arising from the report.

Consultation Responses

46. Consultations have been undertaken with the Lead Cabinet Member for Resources and the Council's treasury management adviser.

Alignment with Council Priority Areas

47. Timely and robust consideration of the Council's treasury management activities is vital to ensure that financial performance is in line with expectations.

Background Papers

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

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Setting Report – Report to Council: 22 February 2022
- Capital Strategy – Report to Council: 22 February 2022
- Treasury Management Strategy – Report to Council: 22 February 2022
- Mid-Year 2021/2022 Treasury Management Report – Report to Audit & Corporate Governance Committee: 1 December 2022
- Treasury Management Strategy – Report to Council: 21 February 2023

Appendices

A Investment Counterparties 2022/2023

B Treasury Management Adviser – Economic Review 2022/2023

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Appendix A

Investment Counterparties 2022/2023

The Council's investment counterparties used during 2022/2023 are listed below:

Category	Counterparty
Building Society	Coventry BS
Building Society	Nationwide BS
Building Society	Yorkshire BS
Clearing Bank	Barclays Bank
Clearing Bank	Santander UK
Other Bank	Close Brothers
Other Bank	Goldman Sachs International Bank
Other Bank	Lloyds Bank Commercial Markets
Other Bank	Standard Chartered
Other Bank	SMBC Bank International PLC
Housing Association	Places for People
Local Authority	Ashford BC
Local Authority	Calderdale MBC
Local Authority	Babergh DC
Local Authority	Cornwall Council
Local Authority	Central Bedfordshire Council
Local Authority	Eastleigh BC
Local Authority	Folkestone & Hythe DC
Local Authority	Hertfordshire CC
Local Authority	Knowsley MBC
Local Authority	Leeds City Council
Local Authority	Moray Council
Local Authority	Merthyr Tydfil CBC
Local Authority	Surrey CC
Local Authority	Trafford Council
Local Authority	Wakefield Council
Local Authority	West Yorkshire CA
Local Authority	Wirral BC
Police Authority	West Mercia Police
Police Authority	West Yorkshire Police
Money Market Fund	Aberdeen Standard Life
Money Market Fund	Deutsche Bank
Money Market Fund	Aviva
Money Market Fund	Federated
Call account	Barclays Bank plc
South Cambs Ltd	Ermine Street Housing
Other investments/Loans	Cambourne Town Council

Appendix B

Treasury Management Adviser – Economic Review 2022/2023

UK. Economy.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.23. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

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South Cambridgeshire District Council

Report to:	Audit & Corporate Governance 12 October 2023
Lead Cabinet Member:	Councillor John Williams Lead Cabinet Member for Resources
Lead Officer:	Peter Maddock, Head of Finance

TREASURY MANAGEMENT PERFORMANCE REPORT: QUARTER ENDING 30 SEPTEMBER 2023

Executive Summary

1. This report outlines the performance against the Council's approved Treasury Management Strategy for first three months of 2023/2024, including performance against the approved Prudential Indicators for Treasury Management.

Key Decision

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendation

3. **That Committee is invited to review the Treasury Management activity and performance for the quarterly period to 30 September 2023.**

Reason for Recommendation

4. The Committee has within its terms of reference a responsibility to review Treasury Management activity, and this report includes details of investment performance and treasury management activity for the quarter period 1 July 2023 to 30 September 2023.

Details

Treasury Management Strategy

5. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and to approve an annual report after the end of each financial year.

6. The Council's Treasury Management Strategy and prudential indicators for 2023/2024 were approved by Full Council at its meeting on 21 February 2023.

7. Changes in the regulatory environment have placed a much greater onus on Members to undertake the review and scrutiny of treasury management policy and activities. This report is important in that respect as it provides details of the actual position for treasury activities and highlights compliance with the Council's policies previously approved by the Council.

8. Any borrowing/investment exposes an organisation to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is, therefore, central to the Council's treasury management strategy This report covers the treasury management activity for the period 1 April 2023 to 30 September 2023 and the associated monitoring and risk management.

9. The Council has monies available for Treasury Management investment as a result of the following:

- Positive cash flow.
- Receipts (mainly from Government) received in advance of payments being made.
- Capital receipts not yet utilised to fund capital expenditure.
- Provisions made in the accounts for liabilities (e.g. provision for outstanding insurance claims or legal cases which have not yet materialised).
- General and earmarked reserves retained by the Council.

10. Some of the source of funds identified above are short-term and investment of these needs to be highly 'liquid', particularly if it relates to a positive cash flow position which can change in the future. Future monies available for investment will depend on the budget position of the Council and whether the Council will need to substantially run-down capital receipts and reserves. Against a backdrop of unprecedented reductions in Government funding, the Medium-Term Financial Strategy and financial forecasts previously considered by the Council identify that on-going revenue savings will be required to balance the budget in future years; there is a likelihood, therefore, that such actions may be required in the medium term which could reduce the monies available for investment.

11. In line with established practice, it is intended that a mid-year review of the Treasury Management Policy Statement and Treasury Management Strategy will be undertaken with regard to their compliance to the CIPFA Prudential Code and the CIPFA Treasury Management Code, and to ensure their appropriateness in light of the Council's current investment and borrowing portfolios, and the ongoing delivery of the Council service objectives. This will be reported to the Committee at its meeting on 28 November 2023. A full review of the Treasury Management Policy and Treasury Management Strategy Statement will also be presented to Cabinet and Council as part of the 2024/2025 budget determination process.

12. The economic landscape has continued with a degree of uncertainty and volatility during the quarter period to 30 September 2023, with the ongoing financial challenges associated with high inflation levels, increasing interest rates and the consequences of war in Europe, the fear of recession and necessary financial tightening by the Bank of England to control the economy. It is expected that this trend will continue for the immediate future as the economy remains shaky. It will, therefore, remain a priority to include the consequences of these volatile trends in the Council's cash flow planning.

13. In response to the prevailing economic conditions the Bank of England increased the Base Rate several times during 2022/2023, and continues to do so in 2023/24 culminating in the increase to its current level of 5.25% effective from 3 August 2023. The outlook is that rates are at or near the peak. Our advisers believe rates have peaked at 5.25% and will remain there until September 2024. Market expectations are similar with pricing in of rates of up to 5.4% in the spring of 2024. Consumer Price Index (CPI) inflation, as a measure of price rises, has also been more stable that in the preceding quarterly periods, with CPI at 6.7% in the period to August 2023 (based upon the Office for National Statistics (ONS) information).

14. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the former Ministry for Housing, Communities & Local Government (MHCLG) published its revised investment Guidance which came into effect from April 2018. The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

15. The updated Prudential Code included a new requirement for local authorities to provide a Capital Strategy, which is to be an overarching document approved by Full Council. The Council's Capital Strategy was considered and approved by Full Council on 21 February 2023 and will be reviewed as part of the 2024/2025 budget process.

Investment Activity

16. As at 30 September 2023, the Council held £135.9 million of invested funds (nominal basis), representing income received in advance of expenditure plus balances and reserves held. The Council's investment balances during 2023/2024, for the period to 30 September 2023, have averaged £136.3 million.

17. The Statutory Guidance on Local Government Investments in England, issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003, gives priority to security and liquidity and the Council's aim is to achieve a yield consistent with these key principles.

18. The table below shows the opening balances of investments held at the beginning of the financial year and the movements on each fund up to 30 September 2023:

Investment Counterparty	01 April 2023	New	Matured	30 Sept 2023
Short Term:	**£000**	**£000**	**£000**	**£000**
Banks – Call/Liquidity Accounts	2,595	35,300	37,800	95
AAA Rated Money Market Fund	2,365	154,415	154,910	1,870
Clearing Banks	7,000		7,000	Nil
Other Banks	5,000	17,000	2,000	20,000
UK Local Authorities	19,000	40,000	48,000	11,000
Building Societies	Nil			Nil
Housing Associations	Nil			Nil
Total Short-Term Investments	**35,960**			**32,965**

Investment Counterparty	01 April 2023	New	Matured	30 Sept 2023
Long Term:	**£000**	**£000**	**£000**	**£000**
South Cambs Ltd	100,000			100,000
Cambridge Leisure and Ice	2,400			2,400
Cambourne Town Council	500			500
Total Long-Term Investments	**102,900**			**102,900**
Total Investments	**138,860**			**135,865**

19. The downward movement in value of £3 million is due to the early payment in full of the A14 contribution that saved the Council £2.35m over a period of 25 years although reduced the current balance available for investments.

20. The most significant movements in the portfolio are an increase of £15 million placed on Other Banks (£20m) and a decrease of £8 million on Local Authorities (£11m). A more detailed analysis of the investment portfolio as at 30 September 2023 is shown at **Appendix A.**

21. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.

22. In order to achieve these objectives, the Council's portfolio is diversified. The majority of the portfolio is invested in fixed term deposits with Financial Institutions which return 4.72% and Ermine Street Housing which returns 4.25%. Liquidity assets typically returned 5% over the quarter. This has to 30 September 2023 generated the Council a blended return of 4.38%.

23. This has been achieved whilst maintaining a low level of credit risk. Counterparty credit quality is assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is [A-] across all major agencies); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. This is shown below.

	Weighted Average Risk Number	Investment Portfolio	Bail-In Exposure		Average Balance	Rate of Return
		£000	£000	%		
30 September 2023	2.68	135,865	20,095	14.8	136,346	4.38%
31 March 2023	2.70	138,860	12,000	8.6	147,898	4.21%

24. The table also shows how the Council's exposure to Bail in Risk has increased in year as the portfolio has more funds proportionally with Banks. This will increase as balances with Banks and Building Societies increase during subsequent quarters.

Borrowing Strategy

25. As at 30 September 2023, the Council held £205.123 million of long term debt (principal borrowed, excluding lease liabilities), no change on the position at 31 March 2023. The Council held £30 million of short-term debt at 30 September 2023.

26. Affordability and the “cost of carry” remained important influences on the Council’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained low and are likely to remain at these levels over the forthcoming two years, the Authority has determined it is more cost effective in the short-term to use internal resources instead of external borrowing.

27. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Link Asset Services (Treasury Management Advisers) assist the Council with this ‘cost of carry’ and breakeven analysis.

Borrowing Activity

28. As at 31 March 2023 the Council had short-term local authority borrowing of £40 million in addition to £205.123 million of PWLB loans for HRA self-financing.

29. The table below sets out the movement in the Council’s borrowing over the year to date. The Capital Financing Requirement (CFR) is unchanged in the six-month period to 30 September 2023.

	01/04/2023	**Maturing Debt**	**Interest Paid**	**Lease Payments**	**CFR Movement**	**30/09/2023**
	£000	**£000**	**%**	**£000**		**£000**
CFR	329,356				Nil	329,356
Short Term Borrowing (a)	40,000	(10,000)	3.77%			30,000
Long Term Borrowing (b)	205,123		3.51%			205,123
Total Borrowing (a+b)	245,123					235,123
Other Long-Term Liabilities (c)	0					0
Total External Debt (a+b+c)	245,123					235,123

PWLB Certainty Rate and Project Rate Update

30. Councils are required to notify the Department for Levelling Up, Housing and Communities (DLUHC), formerly MHCLG, of any potential future borrowing in order to obtain the ‘Certainty Rate’ (0.20% below the PWLB standard rate) the Council has submitted an application to borrow at this rate until 31 March 2024. There is no penalty if the facility is not used.

Debt Rescheduling

31. The premium charge for early repayment of PWLB debt has become very expensive for the loans in the Council's portfolio and, therefore, unattractive for debt rescheduling activity. As a consequence, no rescheduling activity has been undertaken.

2023/2024 Budget Monitoring

32. The Finance Team monitor and report on the Capital Financing budget on a regular basis. The latest position as at 30 September 2023 is shown in the table below:

	Current Budget	**Forecast Outturn**	**Forecast Variance**
	£000	**£000**	**£000**
Interest Payments	2,002	1,500	(502)
Minimum Revenue Provision	1,329	1,329	Nil
Total Expenditure	3,331	2,829	(502)
Investment Income	(5,703)	(5,919)	(216)
Commercial Property Rental Income (Net)	(1,300)	(1,300)	Nil
Total Income	(7,003)	(7,219)	(216)
Net Budget	(3,672)	(4,390)	(718)

33. Interest Payments are forecast to be lower than originally budgeted as the amount of short term borrowing will be minimised. This is mainly due to expected slippage within the capital programme. The expectation is long-term borrowing during the year will not be required, due to higher investment balances and use of short-term borrowing in the near term.

34. Minimum Revenue Provision forecast outturn is in line with estimate.

35. Investment Income is forecast to come in above estimate. Rates with Banks and Money Market funds have increased from record lows since the succession of Bank of England Base rate increases. Ermine Street Housing continues to make a significant contribution, with an expected outturn of £4.25 million as Ermine Street Housing has completed its acquisition programme. The income from the Commercial Property portfolio in the financial year is expected in line with estimate. Vacant areas in one property are being marketed so new lettings would see outturn ahead of estimate.

External Economic Impact on Portfolio

36. The external economic context and market rate data is referenced in the Treasury Advisers report reproduced at **Appendix B.**

37. The Bank of England Base Rate of 4.25%, that has applied effective from 22 March 2023, increased during the quarter period to 5.25% by 30 September 2023. The increase, compared to 2022/2023 levels, has increased the return on the Council's Money Market Fund holdings and on maturing deposits when reinvested.

Compliance with Performance Indicators

38. The Council has been compliant with the 2023/2024 Prudential Indicators approved by Full Council on 21 February 2023.

39. The Council measures and manages its exposures to treasury management risks using the following indicators:

40. Performance against prudential indicators in 2023/2024 is as follows:

(1) Interest Rate Exposure: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable interest rate exposures are set out in the table below:

Maturity structure of borrowing	Under 12 months	More than 12 months	Under 12 months - Actual	More than 12 months - Actual
Upper limit for fixed interest rate exposure	100%	100%	0%	100%
Upper limit for variable rate exposure	100%	0%	0%	0%

(2) Maturity Structure of Borrowing: The structure of the Council's borrowing is set out below.

Fixed Rate Borrowing		
Lender	Repayable within	Amount £,000
Local Authorities	<12 Months	25,000
Local Authorities	>12 Months <2 years	10,000
PWLB	10 – 15 years	25,000
PWLB	15 – 20 years	50,000
PWLB	20 – 25 years	50,000
PWLB	25 – 30 years	50,000
PWLB	30 – 35 years	30,123

(3) Principal Sums Invested for Periods Longer than 364 Days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The Council takes in consideration the advice of its Treasury Advisers when determining the duration of investments with financial institutions (excluding Ermine Street Housing and Cambridge Leisure and Ice Centre). The suggested durations for counterparties are:

Counterparty	Suggested maximum duration	Actual duration	Total investments £000
Close Brothers	6 months	730 days	5,000

(4) Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by maintaining a minimum £7 million working cash balance (total investment balance less loans to Ermine Street Housing and Cambridge Leisure & Ice). This liquidity is available to meet unexpected payments without additional borrowing.

Counterparty Type	Amount £000	% of Portfolio at 30 September 2023
Long term (>1yr)		
Ermine St Housing	100,000	71%
CLIC + Cambourne Town Council	2,900	2%
Other Banks	5,000	4%
Total Long term	107,900	
Short term (<365 days)		
Banks (Clearing)	95	0%
Other Banks	15,000	11%
Building Societies	0	
Housing Assoc.	0	
Local Authorities	16,000	12%
Money Market Funds	1,870	1%
Short Term (Working Cash Balance)	32,965	

Outlook for Quarter 3: 2023/2024

41. The Council will continue to use fixed term deposits and money market funds to manage cashflow. The Council investment balances will increase in Qtr 3 and deposits will be timed to mature in Qtr 4 to cover the period of lower receipts. The expected outturn on short term borrowing is £40 million (2022/23 £40 million).

42. Whilst there is now a degree of stability, the view remains that is that the UK economy still faces a challenging outlook as the Government continues to respond to the ongoing financial pressures associated high inflation levels.

Implications

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

Legal

44. It is a statutory duty, under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to approve a range of prudential indicators as part of its approval of the General Fund Revenue Budget and Capital Programme.

45. The Chartered Institute of Public Finance and Accountancy’s Treasury Management Code (CIPFA’s TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).

Policy

46. There are no specific policy implications associated with the recommendations contained in this report. The Chartered Institute of Public Finance & Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the CIPFA Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 (as amended) have been used in the preparation of this report.

Finance

47. There are no new resource implications associated with the recommendations contained in this report.

Risk/Opportunities

48. There are clearly inherent risks in placing investments both in terms of the security of the capital invested and the level of return from the investment. The approved Treasury Management Strategy 2023/2024 identified the Councils investment priorities as (i) the security of the capital and (ii) the liquidity of its investments.

49. Compliance with the Treasury Management Strategy and associated Treasury Management Practices seeks to mitigate the risks inherent with the treasury management function. The consideration of Security, Liquidity and Yield, in that order, is critical when assessing potential treasury investments. The Strategy specifically states that the Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.

50. The Council engages an external Treasury Management Adviser to provide appropriate and timely advice on the Council's treasury portfolio (and, in particular, to provide advice on counter-party creditworthiness and investment limits). This appointment is regarded as critical given the investment risks.

Climate Change

51. There are no direct environmental implications arising from the report.

Consultation Responses

52. Consultations have been undertaken with the Lead Cabinet Member for Resources and the Council's treasury management adviser.

Alignment with Council Priority Areas

53. Timely and robust consideration of the Council's treasury management activities is vital to ensure that financial performance is in line with expectations.

Background Papers

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

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Medium Term Financial Strategy – Report to Cabinet: 12 December 2022
- Medium Term Financial Strategy – Report to Council: 21 February 2023
- General Fund Budget – Report to Cabinet: 6 February 2023
- General Fund Budget – Report to Council: 21 February 2023
- Treasury Management Strategy – Report to Cabinet: 6 February 2023
- Treasury Management Strategy – Report to Council: 21 February 2023

Appendices

A Schedule of Investments as at 30 September 2023

B Treasury Management Adviser – External Economic Context and Market Rate Data (To follow when released by Advisor)

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Appendix A

Counterparty	Amount £000	Interest £000	Total £000	Term Days	Rate %	Maturity Date
Lloyds Bank Commercial Markets	2,000	49	2,049	185	4.88	5 Oct 2023
Ashford BC	3,000	70	3,070	185	4.60	5 Oct 2023
Eastleigh BC	3,000	72	3,072	191	4.60	5 Oct 2023
Leeds City Council	3,000	6	3,006	13	5.33	5 Oct 2023
Goldman Sachs International Bank	2,000	28	2,028	91	5.57	31 Oct 2023
Goldman Sachs International Bank	1,000	24	1,024	181	4.85	9 Nov 2023
Standard Chartered Sustainable Fund	1,000	25	2,025	189	4.80	9 Nov 2023
Lloyds Bank Commercial Markets	3,000	80	3,080	191	5.07	9 Nov 2023
Folkestone and Hythe DC	2,000	71	2,071	290	4.45	14 Dec 2023
SMBC International	1,000	20	1,020	129	5.67	22 Jan 2023
SMBC International	3,000	64	3,064	138	5.66	22 Jan 2023
Goldman Sachs International Bank	2,000	60	2,060	189	5.80	19 Feb 2023
Close Brothers Ltd	5,000	320	5,320	731	3.20	12 Jul 2024
Total	31,000	889	31,889			

Appendix B

Treasury Management Adviser – Economics Update

Economics Update

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in

July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.

- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.

- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.

- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

Interest Rate Forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60