Dear Councillor

CORPORATE GOVERNANCE COMMITTEE - WEDNESDAY, 27 JANUARY 2021

I am now able to enclose for consideration at the above meeting the following reports that were unavailable when the agenda was printed.

Agenda Item No.

7. APPROVAL FOR PUBLICATION OF THE 2019/20 ANNUAL GOVERNANCE STATEMENT AND THE ANNUAL FINANCIAL REPORT (Pages 3 - 174)

To consider the Auditor's Report, Annual Governance Statement, the Letter of Representation and the Annual Financial Report.

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Approval for Publication of the 2019/20 Annual Governance Statement and the Annual Financial Report
Meeting/Date:	Corporate Governance Committee – 27 January 2021
Executive Portfolio:	Strategic Resources: Councillor J A Gray
Report by:	Chief Finance Officer
Wards affected:	All Wards

Executive Summary:

The Council is required by statute to produce both an Annual Governance Statement (AGS) and an Annual Financial Report (AFR). Both of these documents are produced in line with statutory regulations and are required to be approved by 'those charged with governance'.

In order to approve the accounts the Committee must:

- Consider the Auditors Report (Audit Results Report) (paragraph 3) which comments on the auditor's findings on the Annual Finance Report and their view on Value for Money. Both the Annual Finance Report and the Value for Money position of the Council are expected to receive an unqualified audit opinion. At the time of writing the Auditors Results Report at Annex A is still provisional as the audit is still ongoing.

- Approve the Annual Governance Statement (paragraph 4) which includes the following themes:
    - Housing affordability
    - Morbidity/growing number of years of ill health
    - Wider economic environment
    - Skill levels and educational attainment
    - Partner agency operational pressures
- Approve the Letter of Representation (paragraph 5)
- Approve the Annual Financial Report (paragraph 6)

Recommendations:

1. Receives the Auditors Results Report (**Annex A**)
2. Approve the Annual Governance Statement (**Annex B**) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
3. Approves the Letter of Representation (**Annex C**) and authorises the Chief Finance Officer (as Section 151 officer) to sign it on behalf of the Council.
4. Give delegated powers to the Chairman of the Committee and Chief Finance Officer (as Section 151 officer) to authorise and sign the Annual Financial Report (**Annex D**) on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR 2019/20.

1. PURPOSE OF THE REPORT

1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) and Annual Finance Report (AFR) for 2019/20.

2. BACKGROUND

2.1 The Corporate Governance Committee is designated as 'those charged with governance' and consequently it is required to approve both the AGS and AFR prior to publication. To do this the Committee needs to follow the stages in the order shown in the report.

3 RECEIVING THE AUDITORS REPORT (AUDIT RESULTS REPORT)

3.1 At the time of writing the report the audit is not yet complete with the auditors having some final queries to resolve to enable them to approve the accounts. An up to date position will be reported at the Committee by the auditors on outstanding queries and audit review procedures.

3.2 The Audit Results Report will be presented to the meeting by the auditors and a draft is attached at **Annex A**. The auditors will verbally update the Committee at the meeting of any further changes since the issuing of the report.

3.3 There were 3 issues raised as 'Control Observations' by the auditors within the Audit Results Report in respect of the AFR for 2019/20 which related to:

- Asset Valuations
- Completeness of related party responses from members
- Completeness of information provided for sensitive notes in the accounts

3.4 In addition to reviewing the AFR, the auditors are required to give a view on Value for Money within the Council. The auditors anticipate a qualified opinion (except for) in respect of the Value for Money conclusion as outlined at previous committee meeting. This is due to the effective resources within Internal Audit as already outlined to committee.

4. APPROVE THE ANNUAL GOVERNANCE STATEMENT

4.1 The Committee, on behalf of the Council is required to review once a year the effectiveness of its system of internal control and following that review approve the AGS. The AGS will be published alongside the AFR and is shown at **Annex B.**

4.2 The governance statement includes 6 significant themes:

- Housing affordability
- Morbidity/growing number of years of ill health
- Wider economic environment
- Skill levels and educational attainment
- Partner agency operational pressures
- Environmental pressures

4.4 These issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

5 APPROVE THE LETTER OF REPRESENTATION

5.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate; a draft of the letter is attached as **Annex C**. It is 'best practice' for the Committee to approve the content of this letter and then authorise the Chief Finance Officer to sign it on behalf of the Council.

5.2 The Committee is asked to agree the draft letter and once the external auditor has confirmed that both the AGS and AFR are unqualified, that the Chief Finance Officer to sign it on behalf of the Council.

6 APPROVE THE ANNUAL FINANCIAL REPORT

6.1 The Council is required to produce and approve by the 31 May the Draft AFR, which incorporates the Statement of Accounts. Then 'those charged with governance' are required to approve and the Council is required to publish the AFR; a copy is attached at **Annex D**. The copy currently attached at **Annex D** is the draft AFR which could still be subject to amendment as a consequence of audit.

6.2 The Committee is asked to approve the AFR, which includes the Statement of Accounts. Once the external auditor has confirmed that the AFR is unqualified, then the report will be signed on behalf of the Council.

6.3 The issues that have been raised by the auditor in respect of the AFR are detailed within Section 3 of this report and Section 7 of the Auditors' Results Report.

7 KEY IMPACTS

7.1 Paragraph 3 above outlines the control observations and the associated management comments.

8 LINK TO THE CORPORATE PLAN

8.1 Ensuring we are a customer focused and service led Council – to become more business-like and efficient in the way we deliver services. The production of the AFR is also a statutory requirement.

9. CONSULTATION

9.1 In line with the Account and Audit regulations the AFR was available for inspection.

10 LEGAL IMPLICATIONS

10.1 There are no direct legal implications arising from this report.

11 RESOURCE IMPLICATIONS

11.1 There is a specific budget for the Audit Fees.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 The process that has been followed in preparing the AGS and the AFR has been thorough and in line with statutory regulations.

12.2 The issues that have been identified for inclusion within the AGS are referenced within the statement and are a reflection of the current situation.

12.3 Both the AGS and the AFR have been subject to external audit and review by the Council's auditors, Ernst and Young LLP.

LIST OF APPENDICES INCLUDED

Annex A – Auditors Report – Audit Results Report
Annex B – 2019/20 Annual Governance Statement
Annex C – Draft Letter of Representation
Annex D – 2019/20 Annual Financial Report (Draft)

BACKGROUND PAPERS

CONTACT OFFICER

Claire Edwards
Chief Finance Officer

Huntingdonshire District Council
Audit results report

Year ended 31 March 2020

21 January 2021

Huntingdonshire District Council

21 January 2021

Dear Corporate Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Corporate Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Huntingdonshire District Council (the Authority) for 2019/20. We have agreed the content of the report with the Finance Manager.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete but owing to the protracted nature of the audit we are still completing our review procedures and need to complete some specific internal consultation processes on prior year adjustments made by the Authority as well as the impact of Covid-19 on the content of the audit opinion. Subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We expect to include an emphasis of matter paragraph in relation to the material uncertainty caveat in the Authority's report to support the valuation of its property assets, including investment properties. This is similar to several authorities across the country.

As we communicated to the June 2020 Committee meeting, owing to the Authority's internal audit provision being impacted by resourcing issues, we are issuing a qualification to your arrangements to secure economy, efficiency and effectiveness in your use of resources, specifically referencing the lack of internal audit provision for the full financial year ending 31 March 2020.

This report is intended solely for the use of the Corporate Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance Committee meeting on 27 January 2021.

Yours faithfully

SPatel

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywell Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

Scope update

In our Outline Audit Plan tabled at the July 2020 Corporate Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Change in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £2.122m (Outline Audit Plan – £1.865m). This results in updated performance materiality, at 75% of overall materiality, of £1.59m, and an updated threshold for reporting misstatements of £0.106m.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. The full impact on the audit fee is yet to be determined but will be subject to agreement with the Finance Manager and PSAA.

Status of the audit

We have substantially completed our audit of Huntingdonshire District Council financial statements for the year 31 March 2020 and have performed the procedures outlined in our Outline Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

Audit testing completed and subject to final review

‣ Long-term debtors	‣ Bad debt provision	‣ Ctax/NDR debtors & impairment	‣ IAS19 & pensions
‣ Other provisions	‣ Analytical review - payroll	‣ Analytical review - Hsg Benefits	‣ Expenditure & Funding Analysis
‣ Other income	‣ Ctax/NDR income in CIES	‣ Usable and unusable reserves	‣ Journal testing

Outstanding audit work

- Receipt of information relating to a sample contracts and subsequent audit review.
- Final review of the two prior period adjustments and completion of the associated internal EY consultation.
- Final review of the revised disclosure on property valuations and the material uncertainty caveat along with the subsequent internal EY consultation on the emphasis of matter paragraph in the audit opinion.
- Review of the revised going concern assessment and disclosure along with the subsequent internal EY consultation on the impact on the audit opinion.
- Final review of the updated Annual Governance Statement.
- Review and assessment of the revised statement of accounts which we have received on 21 January 2021.
- Final audit review and completion procedures.
- Review of subsequent events & receipt and review of the signed management representation letter.

[Continued]

Executive Summary

Status of the audit (continued)

Our audit opinion will emphasise the valuation of investment properties and other land and buildings valued using market data. We will include an "emphasis of matter" paragraph to draw users attention to valuation uncertainty disclosures in the accounts. This is not a modification to the audit report and the draft audit report is included in Section 3. We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

<u>Unadjusted audit differences</u>

- An overstatement in cash of £256,000. Following audit enquiries, the Finance Manager has determined that this relates to the cumulative impact of historic issues with the cash and bank reconciliation. The Finance Manager intends to write off this difference in 2020/21.
- A potential overstatement in the value of investment property of £123,000 – the Authority deem this to be a difference relating to the work of EY's expert and the value is not material.
- A potential increase in the pension liability of £130,000 relating to the Goodwin case - the Authority deem this to be immaterial.

We have asked for these adjustments to be correct but we understand the Authority's reasons for not adjusting. We ask that the Corporate Governance Committee approve the Authority's rationale as to why the items are not corrected and include the rationale in the Letter of Representation.

<u>Adjusted audit differences</u>

We have identified a number of audit differences which are being corrected in the final accounts. We report for the Committee's attention:

- An increase of £673,000 in the pension liability related to a re-run IAS19 report.
- We identified that £827,000 of 'Grant income received in advance' was actually received after the year end and therefore should not have been treated as a creditor. As a result, creditors was overstated by £827,000 with a resultant overstatement of cash.
- We identified audit adjustments in relation to exit packages (Note 36) and officers remuneration (Note 29). These disclosures relate to sensitive information and more likely to be scrutinised by the reader of the accounts. We include in Section 7 a recommendation for the Authority to improve its arrangements for ensuring the accuracy and completeness of these notes.

<u>Prior period adjustments (PPAs)</u>

At the end of the prior year audit the Authority highlighted an uncertainty relating to National Non-Domestic Rates (NNDR) which MHCLG had identified dating back to 2015/16. At that stage the Authority did not have sufficient information to quantify the impact on the accounts. During 2019/20 the Finance Manager has worked through the issues and identified historic errors dating back to 2013/14 relating to NNDR and the treatment of Enterprise Zone reliefs, small business reliefs and bad debt provisions. These errors impact the Collection Fund and other primary statements for 2019/20 and the prior year comparators. The Finance Manager has provided the supporting working papers and we ae satisfied with the adjustments identified.
In addition, in the latter part of 2020, the Finance Manager identified another historic issue in relation to the Collection Fund, this time relating to Council Tax and the treatment of the Ministry of Defence council tax payments in lieu. These errors were also historic, dating back to 2015/16, and also impact the Collection Fund and other primary statements for 2019/20 and the prior year comparators. We have yet to receive all the Authority's supporting working papers to outline the adjustments being proposed.

Executive Summary

Audit differences (continued)

As a result of the two issues highlighted in the draft accounts the Authority has accounted for the first PPA and has since proposed the second PPA. We have reviewed the supporting working papers and are satisfied with the first PPA. We have yet to receive working papers to support the second. We have yet to check that the final accounts include the agreed adjustments. In addition, until we complete our review of the final accounts we cannot instigate our internal EY consultation process for PPAs. We will provide a verbal update to the Committee.

Areas of audit focus

Our Outline Audit Plan identified key areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error	We have not identified any: ▸ material weaknesses in controls or evidence of material management override; ▸ instances of inappropriate judgements being applied; or ▸ other transactions during our audit which appeared unusual or outside the Authority's normal course of business. This work is subject to final review. We will inform the Committee verbally should any matters arise that we wish to bring to you attention.
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	We have not identified any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.
Investment Property Valuations	We have completed our work in response to this risk including the work by our valuations specialist (EY Real Estates). We have not identified any material valuation differences. We did identify a judgemental audit difference of £123,000 which the Authority consider to be immaterial and based on a estimated difference calculated by EY and therefore is not adjusting the final accounts. We have identified a need for the Authority to improve its approach to the valuation of its investment property. We have provided further details on page 14. We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have included a paragraph in the audit opinion to emphasis the disclosure of the material uncertainty.

Areas of audit focus (continued)

Other area of audit focus	Findings & conclusions
Other Land and Buildings valuations	Our work is complete and we have not identified any material valuation differences. However, we have identified a need for the Authority to improve its approach to the valuation of its property, plant and equipment. We have provided further details on page 14. We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have included a paragraph in the audit opinion to emphasis the disclosure of the material uncertainty.
Pension Liability Valuation & other pension disclosures	Our work is complete and subject to final review. Like other authorities, the Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. The Authority has determined that the revised pension liability increases by £673,000. The Authority has not amended the pension liability for the impact of the Goodwin ruling, estimating that this would increase the liability by approximately £130,000 and is immaterial.
Business rates appeal provision	Our work is complete and we have no matters to report.
Going concern	Our work is outstanding as we are yet to receive the Authority's updated going concern assessment and disclosure. Once received we will consider the robustness of the assessment and appropriateness of the disclosure. We will update the Committee verbally at the 27 January 2021 meeting.
Prior Period Adjustments (PPAs)	The Authority has accounted for two PPAs. We have reviewed the supporting working papers for the one related to NNDR but await the full set of supporting working papers for the Council Tax PPA. We also need to review the final accounts to confirm that the PPAs have been correctly reflected. In addition, we need to complete our internal EY consultation process for PPAs.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues.
- You agree with the resolution of the issue.
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

However, we have identified a need for the Authority to improve the way it revalues its property, plant and equipment and investment properties. We provide further details on page 14 and recommendations in Section 7.

In addition, in performing procedures on related party transactions we identified that the Authority was unable to provide the relevant returns from 8 Members and 1 Officer to support the completeness and accuracy of the related party disclosure. Whilst we were able to carry out alternative procedures to obtain assurance over the disclosure in the accounts, we include in Section 7 a recommendation for ensuring that all Member and Officer returns are obtained to support the related party disclosure.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Outline Audit Plan we did not identify any significant risk to our value for money conclusion.

After the 31 March 2020 year end we were informed by the Authority that due to staffing issues within the internal audit team, additionally impacted by Covid-19, the Authority did not have in place an appropriate provision of internal audit for the last quarter of the financial year. As a result, we have included an except for value for money conclusion in the audit report at Section 3. We provide further details of the value for money conclusion in Section 5.

Other reporting issues

We have reviewed the information presented in the draft Annual Governance Statement (AGS) for consistency with our knowledge of the Authority and against the relevant CIPFA requirements. In the previous year we reported that the format and content of the Statement needed to be improved to ensure that it included all the expected requirements. Whilst there is no template AGS for local authorities, the CIPFA Code does specify requirements that need to be met. We identified several areas of potential non-compliance with the Code requirements and provided detailed feedback to the Authority. We have yet to receive an updated AGS for review. We will provide a verbal update to the Committee on this matter.

Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
As part of our work to identify fraud risks during the planning stages, we identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. These are set out on the following page.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Inquired about the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.

To address the residual risk of management override we:

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

What are our conclusions?

We have not identified any

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- other transactions during our audit which appeared unusual or outside the Authority's normal course of business

However, this work is subject to final review. We will inform the Committee verbally should any matters arise that we wish to bring to your attention.

Significant Risk

Significant risk

Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) *

What is the risk?

The Authority, like other authorities, is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure including Revenue Expenditure funded from Capital Under Statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account. This could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

What judgements are we focused on?

We focussed on whether capital expenditure and expenditure accounted for as REFCUS had been correctly classified.

What did we do?

As capital expenditure and REFCUS were material to the financial statements, we undertook additional procedures to address the specific risk we have identified.

This included:

- Testing samples of capital expenditure and Revenue Expenditure Funded from Capital Under Statute to a higher level to verify that revenue costs had not been inappropriately capitalised.
- Identification of the controls the Authority has in place to prevent incorrect capitalisation of revenue expenditure.
- Consideration of the effectiveness of management's controls designed to address the risk.
- Testing year end journals which move expenditure from revenue to capital.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.

Significant Risk

Significant risk

Investment Property Valuations

What is the risk?

The Authority's investment property portfolio is a material balance (£54.9m at 31 March 2020) disclosed on the Authority's balance sheet.

The Royal Institution of Chartered Surveyors (RICS) issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations in the 2019-20 period. This guidance followed uncertainties in the economic climate and the impact upon commercial market rents. Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties. This leads to a risk of material uncertainty in the valuations of Investment Property within the Authority's financial statements.

What judgements are we focused on?

The reasonableness of the methodologies adopted by the valuer in undertaking their valuations in 2019/20 and of the key assumptions input into these valuations. In particular assets with reference to fair value/market value. Additionally, we considered assets not revalued in the current year for the potential of material misstatement in valuation as of 31 March 2020.

What did we do?

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (for example market rents and other market information).
- Engaged EY Real Estate as our internal specialists to review the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties and other assets valued using market information. We apply special consideration to any disclosures or disclaimers resulting from Covid-19.
- Test accounting entries have been correctly processed in the financial statements.
- Consider the impact of any material uncertainty reported by the Authority's valuers on our audit report.

What are our conclusions?

- Our work in response to this risk including the work by our valuations specialist (EY Real Estates) is complete.
- We have not identified any material valuation differences.
- We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts and we are including a paragraph in the audit opinion to emphasise this disclosure.
- We also identified inadequacies in the Authority's arrangements for valuing its investment properties. We have included more details on page 14.

Significant Risk

Areas of Audit Focus

Other Land and Buildings valuations

Other Land and Buildings (OLB) represents a significant balance in the Authority's accounts (£58.3m at 31 March 2020) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

As the Authority's OLB are significant, and the outputs from its valuer are subject to estimation, there is a higher inherent risk because balances may be under/overstated or the associated accounting entries incorrectly posted.

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

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price/sq metre);
- Considered whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.
- Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Considered appropriateness of changes to useful economic lives as a result of the most recent valuation;
- Tested accounting entries have been correctly processed in the financial statements; and
- Considered the impact of any material uncertainty reported by the Authority's valuers on our audit report.

Findings and conclusions

Our work in this area is complete. We were required to input significantly more time than expected to complete procedures due largely to inadequacies in the Authority's arrangements for valuing its other land and buildings (and investment properties). We identified inadequacies in respect of:

1. The timing of the valuation report to support the preparation of the accounts – the valuation report was only obtained by the Authority in the latter stages of the accounts preparation timetable.
2. As a consequence of issue 1, there was no management review of the valuation report. In preparing draft accounts the Authority is asserting (amongst other things) that its assets are recognised at fair value. We identified several unexpected movements in the value of assets which we were then required to challenge the Authority and its valuer to understand the rationale for the movements. We used other comparative information and valuation indices to challenge the valuations, establish that assumptions were reasonable and confirm the unexpected movements. These audit processes took significantly longer than anticipated.
3. The extent of clerical errors we identified in the valuer's workings – this required significant input to clarify information and understand the detail within the valuation report. Whilst this additional time did not result in misstatements, because of item 2 above, the inputs were required to gain assurance over the work of the valuer.

We also note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. Because the material uncertainty impacts a significant portion of the Authority's property assets, we will be emphasising the updated disclosure in the audit opinion. This is subject to internal EY consultation.

Areas of Audit Focus

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. In the draft accounts at 31 March 2020 this totalled £65 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

For 2019/20 there may be an impact of Covid-19 on pension asset values as at 31 March 2020.

We have:

- Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considered relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Findings and conclusions

Our work in this regard is complete but still subject to review.

- The Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. We expect the pension liability in the final accounts to increase by £673,000 as a result of this amendment.
- The Authority has considered the impact of the Goodwin ruling but deemed the estimated increase in the liability of approximately £130,000 to be immaterial. This is shown as an uncorrected audit difference in Section 4.

We have no other matters to report to date.

Other Areas of Audit Focus – Business Rates Appeals Provision

Billing Authorities such as Huntingdonshire District Council are required to account for NDR on a full accrual basis. This requires Billing Authorities to consider establishing a provision under IAS 37 in respect of the potential adverse impact of successful appeals against valuations.

The appeals provision for Authority is material in 2019/20 at £4.8 million. We therefore raised this other area of audit focus in our 2019/20 audit planning report.

The calculation of the appeal provision is an estimation which requires management to make judgements around the potential future liability of the Authority. This includes assessing the historic level of successful appeals and estimating the number of future claims and their value. We therefore deem this to be a higher risk estimate due to its size and complexity.

Our approach has focused on:

- Reviewing the Authority's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37;
- Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and
- Reviewing the completeness of the provision.

Findings and conclusions

We were satisfied with the reasonableness of the Authority's approach to determining the business rates appeals provision and our audit procedures above have not identified any material differences in the financial statements.

Areas of Audit Focus

Going concern disclosure

Covid-19 created a number of financial pressures throughout Local Government. For the Authority its other sources of income such as investment income and car parking are being adversely impacted. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Authority's assessment will also need to cover this period.

Findings and conclusions

Our work in this regard is outstanding as we are yet to receive the Authority's updated going concern assessment. Once received we have received the Authority's assessment we will consider the robustness of the assessment in light of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

Following our review of the assessment we will determine whether we need to add an emphasis of matter paragraph to our opinion drawing the readers attention to the going concern disclosures made by the Authority.

We will update the Committee verbally should any matters arise from our review of the Authority's assessment that we wish to bring to you attention.

Areas of Audit Focus

Prior period adjustments (PPAs)

The Authority has identified a need to make two PPAs, both relating to the Collection Fund.

NNDR related

At the end of the prior year audit the Authority highlighted an uncertainty relating to National Non-Domestic Rates (NNDR) which MHCLG had identified dating back to 2015/16. At that stage the Authority did not have sufficient information to quantify the impact on the accounts. During 2019/20 the Finance Manager has worked through the issues and identified historic errors dating back to 2013/14 relating to NNDR and the treatment of Enterprise Zone reliefs, small business reliefs and bad debt provisions. These errors impact the Collection Fund and other primary statements for 2019/20 and the prior year comparators. The Finance Manager has provided the supporting working papers and we ae satisfied with the adjustments identified.

Council tax related

In the latter part of 2020, the Finance Manager identified another historic issue in relation to the Collection Fund, this time relating to Council Tax and the treatment of the Ministry of Defence council tax payments in lieu. These errors were also historic, dating back to 2015/16, and also impact the Collection Fund and other primary statements for 2019/20 and the prior year comparators.
We have yet to receive the Authority's supporting working papers to outline the adjustments being proposed.

Findings and conclusions

We have reviewed the Authority's working papers in support of the NNDR related PPA and are satisfied that the basis of making the PPA is appropriate. We have discussed the Council tax related PPA with the Finance Manager and been provided with some working supporting working papers. We are satisfied that a PPA is required but have yet to receive all the supporting working papers to consider the detailed adjustments being proposed.

We will complete our review of the PPAs on receipt of all the supporting working papers and assessing the final accounts to ensure that the PPA adjustments are appropriately reflected.

03 Audit Report

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Huntingdonshire District COUNCIL

Opinion

We have audited the financial statements of Huntingdonshire District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Notes 1 to 40 to the main financial statements; and
- Collection Fund Statement and notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Huntingdonshire District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty, Note 14 – Property, Plant and Equipment and Note 15 – Investment Properties of the statement of accounts, which describes the valuation uncertainty the Authority is facing as a result of the Covid-19 pandemic in relation to specific property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Finance Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Finance Manager's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Finance Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

Basis for Qualified Conclusion

Internal audit provision

Between January and March 2020 the Authority did not have in place an effective internal audit service due to a combination of staff retirement, sickness absence and the Authority's decision to redeploy internal staff onto Covid-19 related activities. As a result, the Authority did not have in place for the full financial year the proper arrangements an effective internal audit service to evaluate the effectiveness of its risk management, control and governance processes.

This issue is evidence of a weakness in proper arrangements for making informed decisions through maintaining an effective system of internal control.

Qualified conclusion [except for]

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Huntingdonshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

Responsibility of the Finance Manager

As explained more fully in the Statement of the Responsibilities set out on page xiii, the Finance Manager is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Finance Manager is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Huntingdonshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Huntingdonshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Huntingdonshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

Draft audit report

This is an example report – our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Huntingdonshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Huntingdonshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

We have included the significant audit differences that the Authority has adjusted for on page 6.

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Corporate Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements Council 31 March 2020	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
	£'000	£'000	£'000	£'000	£'000
Historic differences in the cash and bank reconciliation	256	(256)			
Estimated difference on the value of investment properties	(123)		123		
Impact of Goodwin on defined benefit pension liability	130				(130)
Total uncorrected audit differences	**263**	**(256)**	**123**		**(130)**

Management have determined not to amend the statements for these audit differences on the basis of materiality.

05 Value for Money

Value for Money

Background

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

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

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

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

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

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

Impact of covid-19 on our VFM assessment

On 16 April 2020 the NAO published an update to auditor guidance in relation to the 2019/20 VFM assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 VFM assessment auditors should consider local authorities responses to Covid-19 only as far as it relates to the 2019-20 financial year and only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Subject to Manager and Associate Partner review, we have identified no such evidence for the Authority and therefore identified no significant VFM risk associated to Covid-19.

Overall conclusion

In the Outline Audit Plan drafted in June 2020, we reported that we did not identify any significant risks around the VFM criteria.
However, soon after drafting the report the Authority informed us of the gap in the provision of internal audit during the final quarter of the 2019/20 financial year. We gave a verbal update to the July 2020 Corporate Governance Committee that the gap in internal audit provision represented a weakness in VFM arrangements. We outline on page 29 our consideration of this issue and its impact on the overall VFM conclusion.
In summary, we are issuing a qualified VFM conclusion on the basis that the Authority had in place for 2019/20 the expected arrangements to secure economy, efficiency and effectiveness in your use of resources except for the proper arrangements for making informed decisions through maintaining an effective system of internal control due to the gap in the provision of internal audit for the final quarter of 2019/20.
We include the except for qualification in the audit report at Section 3.

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

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

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?
Impact of a gap in internal audit provision on an effective system of internal control In June 2020 the Authority informed us that due largely to the sickness absence of a member of the internal audit team there was a gap in the provision of internal audit since December 2019. This was compounded from mid to late March as the other internal audit team members were redeployed by the Authority on essential Covid-19 related activities. Under the Accounts and Audit Regulations 2015, the Authority is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. An effective internal audit service is required to enable the Authority to make informed decisions through maintaining an effective system of internal control.	Taking informed decisions

Findings and conclusions
The draft Annual Governance Statement (draft) did not reflect the gap in the provision of an effective internal audit service. The draft AGS also did not include a Head of Internal Audit (HOIA) opinion, due to the gap in internal audit provision. Following audit flagging the issue in June 2020, the Finance Manager appointed an interim Head of Internal Audit who then completed a HOIA opinion for 2019/20 (adequate assurance) which is reflected in a revised AGS. The revised AGS also refers to the gap in internal audit provision. As a result of the gap in internal audit provision, for 2019/20 there has been a weakness in the arrangements the Authority has had in place to secure economy, efficiency and effectiveness in the use of resources in respect of the proper arrangements for making informed decisions through maintaining an effective system of internal control due. We reflect this as an 'except for' VFM conclusion in the audit report in Section 3.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We did not identify any inconsistencies between the narrative report (front end of the statements) and the financial statements. We will verbally update the Committee should any matters arise from our review of the revised statements.

We reviewed the draft version of the Annual Governance Statement and identified some issues with compliance with CIPFA requirements and shared details with the Authority. We have yet to see the amended Annual Governance Statement to review for completeness. We include a recommendation in Section 7 to ensure that the AGS is drafted in compliance with the CIPFA requirements.

We will provide the Committee with a verbal update.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Authority is below the threshold for requiring audit procedures on its WGA submission.

We have no issues to raise.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We have had no reason to exercise these duties.

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We have identified scope for improvements in three areas of accounts preparation:

<u>Asset valuations</u>
As outlined on page 14, the Authority's process for the valuation of its investment properties and other land and buildings did not include management review of the valuation report and did not provide the Authority with timely and good quality information.
Recommendation: The Authority should consider the processes it currently employs to support the valuation of its investment properties and other land and buildings.

<u>Related party disclosures and Member/Officer returns</u>
As outlined on page 9, we identified that the Authority had not obtained all the returns from Members and Officers to supports its assertion that the related party disclosures were complete and accurate.
Recommendation: The Authority should ensure it obtains all responses to all its requests to Members and Officers for declarations of interests.

<u>Errors in exit packages and officer remuneration disclosure notes</u>
As outlined on page 6, we identified errors in the two disclosure notes relating to exit packages and officer remuneration – two sensitive disclosures.
Recommendation: The Authority should introduce improve quality assurance processes to ensure the accuracy and completeness of these two sensitive disclosures before completing and publishing the draft accounts.

08 Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our Outline Audit Plan dated 2 June 2020.
We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Corporate Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Corporate Governance Committee on 27 January 2021.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.
There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.
As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Outline Audit Plan and subsequent reporting to the Corporate Governance Committee, we have communicated our proposal to increase the scale fee for 2019/20. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Code work – scale fee	40,024	40,024	40,024	44,068
Additional code work:				
• Impact of 50% performance materiality	-	-	-	12,500
• New General Ledger	-	-	-	17,450
• Involvement of EY Real Estates	4,900	2,000-5,000	-	2,500
• Additional audit overruns and delays (Note 1)	TBC	-	-	3,100
• Going concern disclosure (Note 2)	TBC	-	-	-
• Auditing the PPAs (Note 3)	TBC	1,000-2,000	-	-
• EY consultations on auditor report (Note 4)	TBC	TBC	-	-
• VFM conclusion qualification (note 5)	TBC	-	-	-
Total audit	**TBC**	**TBC**	**40,992**	**76,542**
Housing Benefit Agreed Upon Procedures	TBC	12,400	0	23,900
Total other non-audit services	TBC	12,400	N/A	23,900
Total fees	TBC	-	40,992	**100,442**

Notes: We will quantify our final fees on conclusion of the audit, provide supporting information and seek agreement with the Finance Manager and then approval by PSAA.

1. *We have incurred a significant level of overruns due to the protracted nature of the audit and weaknesses in some accounts preparation arrangements.*
2. *We will be carrying out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.*
3. *We have had to audit the Authority's two (originally one) PPAs.*
4. *To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate. This includes out additional work in response to the material uncertainty reported by the Authority's valuer on investment property and OLB valuations. This has led to an emphasis of matter paragraph in the audit report.*
5. *We have had to respond to the VFM conclusion weakness and issue an except for qualification.*

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services - Remuneration advisory services - Internal audit services - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf

9 Appendices

Appendix A

Required communications with the Corporate Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Outline Audit Plan - June 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline Audit Plan - June 2020
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – January 2021

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about Huntingdonshire District Council's ability to continue for the 12 months from the date of our report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit Results Report – January 2021
Subsequent events	▸ Enquiry of the Corporate Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	
Fraud	▸ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Corporate Governance Committee responsibility.	Audit Results Report – January 2021

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report – January 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Outline Audit Plan - June 2020 and Audit Results Report – January 2021

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
	▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Corporate Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Corporate Governance Committee may be aware of.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – January 2021

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Group Audits	▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Outline Audit Plan - June 2020 and Audit Results Report – January 2021
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report – January 2021
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – January 2021
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – January 2021
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Outline Audit Plan - June 2020 and Audit Results Report – January 2021

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Huntingdonshire District Council

Annual Governance Statement 2019/20

Scope of Responsibilities

Huntingdonshire District Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. 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.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1) b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an annual governance statement. It is subject to review by the Audit Committee when they consider both the draft and final Statements of Account and is approved by the Audit Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer:

- Is actively involved and is able to bring influence on the Authority's financial strategy;
- Leads the whole Council in the delivery of good financial management;
- Directs a fit for purpose finance function;
- Is professionally qualified and suitably experienced;
- Is a key member of the Corporate Management Team.

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2020 / 2021 to address these issues will be reported regularly to the Audit Committee with an assessment made in reducing the risk as part of their governance role within the Council.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

The Governance Framework

The Council's strategic vision and corporate priorities are set out in the Corporate Plan 2018 - 2022. The control environment encompasses the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance to all.

What is Governance?

Governance generally refers to the arrangements put in place to ensure that the intended outcomes are defined and achieved.

The Council approved a new local Code of Corporate Governance in July 2016. It is consistent with the seven principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE[1].

The Council aims to achieve good standards of governance by:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing its capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The overall aim of the local Code of Corporate Governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities.
- there is sound and inclusive decision making.
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Underpinning the Code is the Council's commitment to equality of opportunity in its approach to policymaking, service delivery and employment.

How do we know our arrangements are working?

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. The local Code of Corporate Governance (as at May 2018) is also available on the website and describes in more detail the governance processes in place.

The review of effectiveness was informed by the work of the Senior Management Team, who are responsibility for the development and maintenance of the governance environment, the Internal Audit & Risk Manager's annual report and comments made by the external auditors.

Governance Framework

Assurance required upon	Sources of Assurance	Assurances received
• Delivery of Corporate Plan priorities • Services are delivered economically, efficiently & effectively • Management of risk • Financial planning and performance • Effectiveness of internal controls • Community engagement & public accountability • Shared service governance • Project management & project delivery • Procurement processes • Roles & responsibilities of Members & Officers • Standards of conduct & behaviour • Training and development of Members & Officers • Compliance with laws & regulations, internal policies & procedures	• Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) • Council, Cabinet, Committees and Panels • Corporate and service plans • Shared service joint committee • Policy framework • Risk management framework • Project management methodology • Financial Performance Monitoring Suite • Medium Term Financial Strategy • Customer Service Strategy • Consultation and Engagement Strategy • Complaints system • Head of Paid Service, Monitoring Officer and S151 Officer • HR policies & procedures • Whistleblowing & other countering fraud arrangements • Staff and Member training	• Regular performance and financial reporting • Annual financial report • External audit reports • Internal audit reports • Officer management groups • On-going review of governance • External reviews and inspectorate reports • Customer feedback • Peer reviews • Council's democratic arrangements incl. scrutiny reviews and the 'audit' committee • Corporate Governance Committee annual report • Staff surveys • Community consultations

[1] The Chartered Institute of Public Finance & Accountancy (CIPFA) & Society of Local Authority Chief Executives & Senior Managers (SOLACE).

- Codes of conduct
- Corporate/Senior Management Team
- Independent external sources
- Regular monitoring of outcome measures
- Monitoring of economic indicators & associated financial receipts
- Effective joint working arrangements

Governance impacts

Whilst traditionally this Statement has contained issues for which the Council is wholly responsible. It became clear that there were also a number of overarching external issues that were regularly informing and influencing the budget, performance and service delivery discussions the control and direct influence over which at both Member and Officer level lay outside of the Council. Consequently, an inward only looking Statement did not feel adequate to address all the risks that are faced by the Council which may have the potential impact to the authority and the achievement of its objectives.

Six themes were identified as part of this review to reflect a more strategic outlook. These Six themes have been chosen as representing our best view of the risks that challenge our financial stability and ability to deliver on our objectives. As the needs of our communities and decisions of our partners directly impact on our resource and demand profiles. However, they have been joined by a sixth issue, that of the environment and our collective responsibility to ensure that our actions and behaviours do not cause irreversible harm.

Progress made across the themes in 2019/20 is outlined in the Statement together with the actions planned for 2020/21. The impacts of Covid-19 experienced in 2020/21 have accentuated the significance of the themes in this AGS, presenting the consequences of some of the previous identified system risks, and additional activity has been undertaken to further meet these challenges and mitigate the long term impacts on our communities, Huntingdonshire as a place and its economy.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Annual Internal Audit Opinion, and also by comments Huntingdonshire District Council's Statement of Accounts 2019/20 made by the external auditors and other review agencies and inspectorates. During 2019 / 2020, the works undertaken by the Internal Audit team was sufficient to be able to form the view for the Annual Internal Audit Opinion that there was an **adequate** governance framework from which those charged with governance could gain reasonable assurance, with a caveat that due to the decreased resources available, a limited number of audits were conducted and full audit coverage across the Council was not achieved; therefore an 'adequate assurance' opinion can only be given in respect of the assurance gained from those audits conducted and does not represent the wider Council.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk- based operational plan, which is agreed by Corporate Governance Committee.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

An External Audit of the account's year ended 31 March 2019 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2018/19 closure process were of high quality. HDC assures it financial controls through an internal audit team and a programme of internal audit activity. Extended periods of absence within the team has limited the delivery of the audit programme, the table below provides a summary of audit activity undertaken last year. A full review of the internal audit function is underway and whilst an additional resource has been agreed for this year to give confidence to the audit plan for 2020/21, the overall resources/number of days will be much decreased for the year notwithstanding any further impacts of COVID, including the expected second wave. The effect of the pandemic this year has meant that IA resource has been redeployed to more urgent financial business and as such, BAU IA activity has been suspended temporarily. Future plans for Internal Audit are being developed, using appropriately directed resource, a holistic and end-to-end engagement and a more risk and outcomes-based approach will deliver a greater impact and VfM output from internal assurance.

Internal Assurance Activity

Audit reports issued are listed in the table below - grouped by assurance opinion and showing action type and number of actions.

Audit area		Action type & No.	
		Red	Amber
Substantial			
	Disabled Facilities Grants	0	0
	Protocol Policy Mgt System	0	2
Adequate			
	Staff Recruitment *	0	12
	Housing Benefit 18.19	0	6
	S/w and H/w Asset Management	0	8
	Network Access Control	1	4
	Network System Resilience & Availability	0	3
Limited			
	Purchase Order Compliance *	0	9
	Lone Working *	1	5
	Delivery of Capital Schemes	0	0
No opinion given			
	GDPR (update only)	---	---
	Land Charges 18.19	0	4
	***** Draft reports (status as at 31/03/2020).		

A number of internal audit reviews from the 2019/20 plan are still underway (but work was paused due to the COVID situation). Additional work was carried out on the following audit reviews without a report:

Enforcement Policy
Dashboard/Sickness
achievement of KPIs
Maintenance Schedule Planning

The assurance opinions given on the remaining key financial systems are set out in the table below.

Audit area	Level of assurance				Action type & No.	
	Substantial	Adequate	Limited	Little	Red	Amber
*Council Tax		✓			-	-
*Non-Domestic Rates		✓				
*Housing Benefits – payments		✓			-	-
– recovery		✓			-	-
*Main accounting system		✓			-	-
*Accounts payable (Creditors)		✓			-	-
*Accounts receivable (Debtors)			✓		-	-

***** These audit reviews were undertaken for quarters 1-3 but quarter 4 was not undertaken due to COVID/redeployment of resources. Consequently no end of year opinion and audit actions were provided for each of the areas and the above level of assurance is taken from Q1-3 work only.

Significant Governance Issues 2019/20

The Annual Governance Statement identifies governance issues and risks for the Council to address.

Area of Assurance	Issue/Gap	Action Plan Proposal
Risk Management	RM is not fully embedded and functional within the Council in an effective way. The risk register requires revision and update otherwise it is at risk of being unreliable/unusable.	• Service Plans will be redesigned to incorporate risk management. • The risk register will be reinvigorated and redesigned before roll out to Services • Internal audit reviews of top risks highlighted by management • Longer term – potential audit review of RM

Lone working (red action in an audit report):	The Council lacks a corporate lone working procedure that is robust and effective. H&S legislation requires us to protect our employees at work. A lack of protocol over lone workers could risk employees' safety and a breach of legislation.	• Ownership to be appointed. • To investigate lone worker systems that can operate within its 24 hour CCTV function. • A suitable system/procedure to be implemented to protect all officers who lone work off site. • Internal Audit to carry out a follow up review to ensure operation and compliance once installed.
Head of Internal Audit	The resignation of the Internal Audit Manager affects the resourcing of the statutory Internal Audit service. This impacts on the provision of an annual Audit Opinion.	• An Acting Internal Audit Manager has been appointed. This employee is an existing internal auditor at the Council and is MIIA qualified. • Restructuring of the function to take place to ensure adequate resourcing levels.
GDPR	Progressive action towards GDPR compliance and monitoring has not been sufficiently robust since the Regulations' effective date. This puts the council at a greater risk of a potential non-compliance with GDPR legislation, a data breach, penalty fine and reputational damage.	• Information Governance team has carried out a gap analysis review across the Council. • Work to be done to ensure data protection training and awareness. • A planned Internal audit [follow up] review to assess compliance.
Network Access Management Control (red action in an audit report):	The audit found that user accounts may not be regularly reviewed and monitored (by HR or systems owners) leading to leaver, inactive or dormant accounts.	• Agreed that HR management would assign ownership to line managers to review the network accounts that do not match to payroll listing. • Agreed that line managers/Heads of Service would perform a regular review of all staff in their service ae going forwards. • Progress to be monitored by Internal Audit.
Procurement function	Resignation of the Procurement Officer in March 2020 leaves the council with no Procurement support function. Absence of a procurement function for advice has meant Services had to procure without assistance and put compliance more at risk.	• The AD for Corporate Services has forged a good relationship with the Procurement Officer of a neighbouring authority which was used for support and advice where needed in the interim and going forward. • The recruitment of a Procurement Officer was agreed. • Subsequent appointment of an experienced procurement officer took place in September 2020.
Delivery of capital schemes	An audit review found that there several issues relating to governance, capability, capacity and delivery, and commissioning.	• Appointment of a Programme Delivery Manager took place in 2020. • Many programmes and projects are already underway • Internal Audit to carry out a follow up review.
Audit reports outstanding	There has been difficulty in obtaining replies by Services to draft audit reports. These reports highlight weaknesses and risks found in a system and if they remain not responded to and no actions are implemented to address the risks, then the risks potentially remain and assurance cannot be given.	• Audit Manager has advised senior management of such outstanding reports. • A new Risk & Controls Board has been developed which now formally reports these issues to Corporate SLT for action.
Information Governance Training	The ability to monitor which staff have completed which training courses needs improvement. Decisions on mandatory training and frequency of courses needs to be decided. There is a risk that	• New Information Governance Manager in post • IT and IG policies are being reviewed • IG training modules are being reviewed • Ownership of training attendance to be assigned

	employees may not have sufficient training or awareness.	• A system for monitoring all training
Covid-19 risks, levels of debt, loss of income etc	Since mid-March 2020, the Council has diverted its resources to focus on providing active support across Huntingdonshire as part of its response to Covid-19. There is a risk that costs incurred outweigh the levels of funds received from Central Government. Emergency procedures put in place need to be reviewed to ensure that effective governance is in place to protect Council / users etc	• Assess 2020/21 budget and income streams for non-deliverable items and link to overall 2020/21 Financial monitoring and the 2021/22 MTFS requirements. • Robust risk management processes followed to ensure effective monitoring of key risks whether relating to response to Covid-19 or return to business as usual. • Gold, Silver and Bronze command were stood up to manage critical responses/issues in response to the pandemic.

Opinion

After conducting a review of the governance arrangements across the Council and overall compliance with the Council's Code of Corporate Governance, we are satisfied that the arrangements are effective.

We are also satisfied that this statement allows the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015, to prepare an annual governance statement to accompany the 2019/20 Annual Financial Report.

Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit Committee and Cabinet.

Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within Huntingdonshire District Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signature	Councillor Ryan Fuller Executive Leader	Signature	Joanne Lancaster Managing Director

25 January 2021
Signed on behalf of Huntingdonshire District Council

Appendix to

Annual Governance Statement 2019/20

Themes

Housing Affordability

Leading to homelessness and constraining growth.

This issue is one which impacts on the Council's ability to deliver the Corporate Plan primarily through the escalating financial consequences of homelessness. Furthermore it also has a bearing on the mobility of the local labour market, on inward investment and business growth opportunities. For the Council as an employer it also hampers our ability to recruit and retain suitably experienced and qualified staff.

2019/20 actions		2020/21 actions
--	Adopt a housing strategy which establishes the formal basis for housing delivery across the district.	✓
✓	Complete a formal review of homelessness within the District to inform the development of an updated Homelessness Strategy.	--
✓	Continue to work with other agencies to enable earlier risk-based interventions for those individuals whose circumstances mean that they are vulnerable to homelessness.	✓
✓	Developing new delivery options to secure affordable homes within the District, using Council assets to provide alternatives to the market delivery homes where necessary.	✓
✓	To bring forward formal Scrutiny recommendations for the acceleration of supply of new affordable and accessible housing stock across the district.	--
	Working with third parties to explore partnership models to bring forward new solutions to the delivery of all types of housing to meet local needs.	✓

2019/20 achievements

The Council has developed a series of early intervention approaches, seeking to identify future housing need and address the root cause at the earliest possible opportunity. These include the delivery and continued support of the multi-agency housing trailblazer, intervening immediately on a safeguarding issue being identified to address housing needs. The new homelessness reduction act duties continue to be used proactively, and supported by broader work across the council to identify those at risk, or long term future risk of homelessness, and using appropriate pathways, such as employment support and budgeting to seek to build individual capacity and address the underlying need.

The Council has worked to proactively use Discretionary Housing Payments (DHP) to deliver the best possible outcome and reduce the strain on the public purse, by preventing expensive and disruptive outcomes. This has included assisting those who may be at risk of homelessness. There has been some innovation in the use of DHPs. For example, someone living in social housing and in rent arrears due to having their housing benefit payments reduced due to living in a property that had a spare bedroom (and classed as being under-occupied) have been supported in clearing their rent arrears and in moving to a smaller property. This freed up a property whilst reducing the possibility of future financial problems for the tenant.

A pathway has been established with Criminal Justice partners that allows for the early notification of the release of offenders so that potential employment opportunities and other appropriate support can be identified. A key group at risk of homelessness.

The Council is increasingly working to focus services around the need of the community, rather than traditional service delivery siloes in the Huntingdon North ward, all public service agencies are working alongside the community and voluntary groups to identify those who are vulnerable and may become homeless. The group is supporting a number of community groups with the intention that residents can develop and take responsibility for these initiatives themselves. This work has informed the response to Covid, focussing on proactive prevention and support.

Proposals for housing making use of a number of surplus land sites to support the provision of affordable housing have been progressed, and will link to the forthcoming Housing Strategy.

Morbidity/Growing number of years of ill health
Impacting on people' ability to be self-reliant and generating additional cost through support needs.

Increasing pressures are being felt by many parts of the public service system, primarily through the growing demand on support costs, a rise in complex individual cases which cuts across many service providers, through such things as disabled facilities grants and personal care costs. This is not something that any single agency has total responsibility for, and it requires joint working to deliver effective solutions focussing on wellbeing and life choices as well as housing, open spaces, transport infrastructure and the design of place.

The costs of dealing with ill health and the increased risk of other complications caused by ill health, constitutes a major financial challenge to all public sector agencies. Decisions made to support these needs, often impact HDC as we see these decisions create direct and indirect financial challenges for the Council, including disabled facilities grants but also situations where those who are not able to remain economically active rely on more assistance. The increasing number of years of ill health experienced by the population, combined with Huntingdonshire's aging population make these factors areas of continued focus for HDC.

Underlying health factors such as frailty, excess weight, or other underlying health condition have been indicated as increasing the chances of poor Covid-19 outcomes.

2019/20 actions		2020/21 actions
✓	Use our leisure services to encourage healthier lifestyles through engaging people of all ages in activities to improve health.	✓
✓	Pilot new ways of working within localities with local communities and other agencies to deliver tailored solutions to issues within defined communities.	✓
✓	To bring forward formal Scrutiny recommendations on how the Council can support improved community health outcomes through its task and finish work. Maybe update with a focus on Health and Wellbeing strategy	--
✓	Pilot new ways of working within localities with local communities to deliver improved infrastructure that promotes cycling and walking	✓
✓	Adoption of a 'Healthy Open Spaces Strategy' to optimise the provision and use of the Council's green open spaces, parks and play areas to encourage healthier lifestyles through engaging people of all ages in activities to improve health.	✓
--	Investing in our parks and green spaces to provide for open areas for leisure and activity, including in our 3 largest market towns	✓

2019/20 achievements

More People, More Active, More Often has been adopted as the key objective for our One Leisure service, as we seek to maximise the use of our award-winning leisure facilities.

The Council's new 'Healthy Open Spaces Strategy' due to be adopted in the coming year has been informed by significant public and stakeholder engagement, and lays out the principles for developing our open spaces to engage residents and boost the health benefits of our open spaces. This links closely to the work we are doing with partners on the development of the proposals as part of the Future Parks Programme. Business case developed and approved for increasing the use of Hinchingbrooke Country Park (HCP) with a clear vision to ensure that more people use this key health asset, whilst reducing the amount of subsidy the site needs. An outline case for the further enhancement of Paxton Pits has also been prepared. The business case seeks to secure and enhance open free space as a key route for activity for all residents as evidenced by over 500 people attending a free park run at HCP.

In January 2019 Active Lifestyles launched the ESCAPE[2] pain management rehabilitation programme aiming to help people with osteoarthritis and chronic joint pain, self-manage their condition

Section 106 agreements continue to be negotiated with developers towards the provision of recreational spaces and their future up-keep. This has become more challenging as the planning system requiredt the Council show that there is a demonstrable demand for play provision in order for contributions to be secured

[2] ESCAPE Pain stands for Enabling Self-management and Coping with Arthritic Pain through Exercise. ESCAPE Pain is endorsed and supported by NICE, British Society of Rheumatology, Royal Society of Rheumatology, Royal Society of Public Health, Charters Society of Physiotherapy, Arthritis Research UK, Arthritis Research UK, and the Academic Health Science Network.

Wider economic environment

Impact of Commercial Investment Strategy/Business rates receipts and level of need from residents.

The Council's financial robustness is closely linked with the success of the overall local economy, driven in large part to a prosperous commercial sector. This supports the delivery of one of our key Corporate Plan strategic priorities – delivering sustainable growth across the District. The Council is making tactical investments in the property market and is determined to support the conditions for economic success to support a vibrant economy and positive community outcomes. Ultimately external economic factors do directly impact on the Council's financial plans and forecasts for new homes bonus, council tax and business rates incomes, and the level of demand for our services. We take our role on supporting the conditions for stable growth very seriously.

During Covid-19 we have, like others, administered the Government's business grants programme, using information we hold to quickly distribute funds in the most effective way, to ensure we support a quick local economic recovery.

2019/20 actions		2020/21 actions
✓	Use the Council's Commercial Investment Strategy to support the local economy.	✓
✓	Maintain and enhance the Council's existing commercial estate to provide value accommodation for local businesses.	✓
--	Use of data to target our engagement and support of local business particularly in key clusters.	✓
✓	Refocus our economic development activity to support new and emerging sectors in our economy, to create the environment within which new business can thrive.	✓
✓	Following the adoption of the Prospectuses for Growth for the four main market towns to focus on transformational interventions that make the most of opportunities unique to each town , creating new jobs, stimulating economic growth, improving productivity and raising aspirations in and around each town.	✓
✓	To work creatively with key industrial sectors to create pathways for growth and linkages to skills and training provision.	✓

2019/20 achievements

The Local Industry Strategy is supported by a Combined Authority delivery plan with which the Council is collaborating. The strategy considers how the Council can assist in developing both the local economic environment and a skilled workforce to work within it, focussing on key opportunities for growth. HDC continue to pursue an active role in OxCAm Arc supporting planned economic growth across the corridor to 2050.

A 'Better Business for All' pilot is underway which has been developed via funding from the Ministry of Housing, Communities and Local Government (MHCLG). The pilot is a means by which the Council can engage with the local businesses and deliver the support they need to grow. Active work is underway to implement a local business CRM to ensure that we better understand and are able to support local businesses growth objectives, and activity around supporting town reopening and campaigns to support local businesses will continue.

Property acquisitions continue to be made within the District under the Commercial Investment Strategy, supporting local employment and our local 'offer'. The refreshed Commercial Investment Strategy and other place strategies will further define our commitment to supporting local growth.

In Q3 2019 HDC was awarded £150k by MHCLG to undertake a feasibility study to investigate economy-led regeneration in St. Neots. The Final Business case to be submitted to MHCLG by 31st July 2020. If successful, will see HDC awarded in excess of £6m to deliver a new commercial and community campus in a riverside setting, a revised culture offer, improved public realm, and new homes.

Working with a number of partners the Council is involved in the St Neots Smart Town initiative. Whilst the initiative is at an early stage, the intention is that by using data and emerging technologies to address transport and connectivity challenges it will help provide information that will influence the behaviours of residents and businesses.

The Council is an active partner in the 'Connecting Cambridgeshire' (CoCam) project which is in the process of investing approx. £25m in improving the digital infrastructure (superfast broadband, full fibre, public access wi-fi and 5G mobile coverage) across Cambridgeshire and which is a key factor for economic investment decisions by businesses.

Skills level and educational attainment

As a means by which residents are able to attract profitable work and in attracting employers to the area.

It is important that all young people can fulfil their potential and become active citizens with meaningful and valuable work. Furthermore, the workforce within the area needs to be supported to continue to gain meaningful employment and meet the demands for new skills in the labour market. This is particularly true to ensure we are able to support our residents to respond to the impacts of Covid, and to ensure the growth we see in Huntingdonshire being in high value adding sectors. In turn this will also contribute to the area's reputation for attracting inward investment and so grow and thrive. Finally, skilled and flexible workforces who possess digital skills will allow the Council to transform its current delivery models and offer new methods of service delivery. Post Covid activity will also be undertaken to ensure our working age population are able to respond to changes in local employment, and benefit from co-ordination of activity around gaining the skills needed within the local economy.

2019/20 actions		**2020/21 actions**
--	Endorse a digital strategy for the area, to ensure that the needs of Huntingdonshire are properly understood and laid down to support the skills and economic growth agenda.	✓
--	Work with local businesses to understand and support their growth and recovery plans, and skills needs.	✓
✓	Support apprenticeships, directly as an employer, but also through our supply chain and through promotion with local businesses.	--
✓	Continue to engage with schools through local careers fairs and EDGE, but also through fostering direct links between employers and educational institutions.	✓
✓	Work to create pathways from local communities and schools to colleges and institutions such as iMet which support the development of skills required by the future economy.	✓
✓	Develop and enhance our commitment to social value, and seek to encourage other local employers to do the same.	✓

2019/20 achievements

Work has also taken place with key local schools and colleges, including the iMet in Alconbury to support pathways for young people into fulfilling long term careers.

Safeguarding training for taxi drivers has been provided, ensuring good service, and supporting a vibrant wider economy.

Over sixty-one Leisure employees have obtained or are being trained to become qualified lifeguards. Lifeguarding posts are an entry level position for many staff and obtaining the qualification is the first steps towards a career in the leisure industry.

The Council was represented at the third annual school careers fair at Wood Green in December 2019 and also supported its organisation, supporting the development of long-term careers for the areas young people.

Limited benefits have been obtained to date from suppliers delivering a social value benefit (i.e. creating opportunities for the long-term unemployed or other disadvantaged groups, apprenticeships or other environmental or community benefits) to the District when being awarded contracts of a significant value.

The Council addressed this by introducing in February 2019 a requirement that social value considerations be including in all contracts over £100k.

Partner agency operational pressures

Financial challenges of partners impacting on demand for our services or reducing existing support.

There is evidence to suggest that as parts of the public sector reduce their input into communities, that the demand transfers to other agencies. In Huntingdonshire whilst partners work well together there continues to be the challenge of controlling additional demand and the corresponding budget pressures that it brings. Elsewhere financial pressures in one sector, have had significant financial and capacity impacts on the authority.

The impact of Covid has further emphasised these challenges, as the demand and income pressures generated by Covid-19 have begun to impact. Collective work on recovery to properly understand the links between cause, and financial impact will be central and driven through shared recovery activity across all public sector partners.

2019/209 actions		**2020/21 actions**
✓	Share budget planning activity with other public agencies to guard against unintended consequences of financial decisions.	✓
✓	Continue to engage with near neighbours, particularly the County Council and health services to understand how best we can complement each other's activity	✓
✓	Work closely with partners to understand the triggers and impacts of decisions on partners, and seek to proactively prevent costly crises, and deliver better outcomes.	✓
✓	Use evidence to undertake targeted outbound contact with those residents that need it, and develop new ways of working which ensure that public services become more agile in responding to changing circumstances.	✓
✓	Recognising that residents needs to not map neatly to organisational boundaries, establish multi-disciplinary teams (or digital services) with partners, where the evidence shows that these will better help us achieve our objectives.	✓

2019/20 achievements

There was engagement with Cambridgeshire County Council about their proposed 2019/20 budget and the likely impact service cuts would have upon the District. The County Council understand that the Council is willing to work collaboratively both with themselves and other agencies to consider alternative ways of working.

Strategies such as the parks and open spaces strategy, the Hinchingbrooke Country Park business case, and the work in health absolutely links local activity with the wider benefits of improved physical and mental health, reducing partner demand, but also helping people to remain independent for longer, reducing future HDC costs.

We have worked with local GP practices and developed a health portal which is implemented in GP practices. It enables customers to access services around the common needs of GP patients, recognising the role of wider determinants of health. The advantage to the Council is earlier visibility of issues around housing, benefits and greater likelihood of addressing complicating factors such as isolation and mental health challenges. Reducing high cost demand, and poor outcomes. A similar portal which makes it easy for residents to navigate all services they need, irrespective of agency, is also live in the Oxmoor community.

We have worked proactively to demonstrate that proactive interventions deliver more substantial savings in the long term than merely making short term cuts to services.

In conjunction with other agencies, the Council is involved in looking to reduce the costs of responding to incidents of crime in the Huntingdon North ward which is estimated to cost the agencies £8m/annum to deal with.

Environmental pressures and sustainability challenges
Challenges to the long-term sustainability and attraction of our area.

There is growing recognition of the significant consequences of a failure to properly account for human actions, and wider climactic events which are becoming increasingly common. The national risk register includes flooding and severe weather events as risks that as a country we should prepare for. We also recognise the health impacts of pollution and poor human behaviour in terms of pollution and improper handling of waste as key challenges to the beauty and sustainability of our area.

2019/20 actions		2020/21actions
✓	To maximise the recycling rate within our district, seeking to reduce contamination, and deliver the highest possible rate of recycling and reuse of our recycled materials.	✓
✓	Develop proposals around improving the movement around the district, by way of modal shift and improved public transport. To promote sustainable transport options, including the provision of charging points for electric cars, and through encouraging walking and cycling as safe and practical alternate travel options.	✓
✓	To ensure the Digital agenda remains at the core of new infrastructure projects, allowing for flexible working where possible, minimising the need for am/pm peak travel.	✓
✓	Maximising the use of renewable energy technology in all suitable locations across the Councils assets and achievable land opportunities, and pursue technologies that allow us to minimise use of utilities.	✓
✓	Ensuring new residential developments are environmentally sustainable and make best consideration of key environmental factors during both the design and build stage and ongoing liveability.	✓
✓	Maximising the impact of our green space, by investing in and expanding green spaces across the district and seeking to achieve net-gain biodiversity where possible..	✓
--	Implementing a strategy to limit single use plastics across our estate. Removing such items from our cafes.	✓
✓	Working with parish and town councils to ensure that Neighbourhood Plans reflect the growing environmental and sustainability agenda.	✓
--	Working to understand our communities' ambitions on the sustainability agenda and supporting this through the way we undertake our business.	✓
--	Work with the CPCA to frame and deliver the ambition of the Climate Change Commission and the Electric Vehicle strategy.	✓

2019/209 achievements

Initial scoping work has taken place to establish how the District Council can contribute to this agenda and developing opportunities to take this forward as outlined above.

Sustainability considerations form part of the District's Parking Strategy and form a new part of the newly adopted Local Plan to 2036.

Statement of Accounts 2019/20 – Letter of Representations

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Huntingdonshire District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Council financial position of Huntingdonshire District Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.

4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and

council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because they relate solely to accounting estimates and the impact of these on the financial statements is not material.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the consolidated and Council financial statements, including those related to the COVID-19 pandemic.

3. We have made available to you all minutes of the meetings of the Council, and the following committees: Corporate Governance and Cabinet, (or summaries of actions of recent meetings for

which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: XXXXXXXXX.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

E. Subsequent Events

1. Other than described in note 41 to the council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We will provide to you the final version of documents when available and prior to issuance by us, such that you can perform your procedures.

G. Specific Representations

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Other Land and Buildings and Investment Property and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Property valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

2. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete, including the effects of the COVID-19 pandemic and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

3. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

_________________________ ___________________________

Finance Manager and Section 151 Officer Chair of Corporate Governance Committee

Huntingdonshire District Council

Draft Annual Financial Report

For the year ended 31st March 2020

Contents

Annual Financial Report

<u>Supplementary Financial Statements</u>

Narrative Report
By the Finance Manager

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2019/20 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2020.

The purpose of this report is to provide a guide to the most significant matters reported in the Council's accounts and is in three sections.

- Commentary and review of 2019/20.
- The Financial Statements.
- Technical information.

Commentary and Review of 2019/20

The District

Huntingdonshire District Council's area covers approximately 91,300 hectares of the north western part of the County of Cambridgeshire. With a population of 176,980 it is the largest district in the county by both land area and population. The population is forecast to grow to around 210,000 by 2036.

Huntingdonshire is well connected to other parts of the country via main roads and rail links. The A1 runs north to south and the A14 traverses the district east to west. Both Huntingdon and St. Neots are connected to London Kings Cross by a frequent 50 minute railway service.

The district has 4 market towns: Huntingdon, St. Ives, St. Neots and Ramsey. It is predominantly rural with village settlements providing the main focus for community facilities outside of the market towns.

Economic activity (production, distribution and consumption of goods and services) in the area is high with an estimated 85% of residents aged 16-64 classed as economically active and an 82.4% employment rate among residents aged 16-64.

The Council provides a range of services to residents, businesses and visitors. These include refuse and recycling, business growth support, car parks, elections, environmental health, housing advice, housing and council tax support, leisure centres, markets, parks and open spaces, planning and conservation.

Covid-19 Pandemic

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many of the businesses in Huntingdonshire have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

<u>Financial Impact</u>

These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21. The Council is expecting substantial losses across many of its largest streams of commercial income. These include rental income, Leisure income, parking, commercial waste, licensing fees and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances.

On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers, additional costs in supporting our most vulnerable with food parcels and assistance in accessing medical provisions – some of whom may not have required our support previously.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government's emergency Covid-19 funding for local authorities is taken into account. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has sought in recent years to build up the general fund balance to ensure the Council is financially resilient in a recession. The Council is therefore able to draw upon its general fund reserve balances in 2020/21 to balance its budget.

Moving forward, the Council will reset its Medium-Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives. The Covid-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change going forward.

The Council's financial statements are prepared on a going concern basis, that is on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. Although there is significant financial uncertainty due to the Covid-19 Pandemic, it is not envisage that this will affect the Council's ability to continue as a going concerns. Further details regarding the Council's position on going concern are outlined in the accounting policies in Note 1.

Governance

As of May 2018 the Council moved to a 4-year all-out election cycle. The Council has 52 councillors representing 26 wards across the district. An "Executive Leader and Cabinet" decision making model is operated. Under this model, the executive leader appoints their own deputy executive leader and cabinet which comprised 4 other councillors and 2 cabinet assistants.

Organisational Model

The head of paid service of the Council is the Managing Director who has 2 Corporate Directors (Delivery and Services), 3 Assistant Directors (Chief Operating Officer, Transformation and Resources) and 3 Heads of Services (3C's ICT, Leisure and Health, Operations).

Risks

Following a review of the strategic risks faced by the Council, the 2019/20 Annual Governance Statement (AGS) has identified the following key risks:

- **Housing affordability**

  This issue is one which impacts on the Council's ability to deliver the Corporate Plan primarily through the escalating financial consequences of homelessness and the ability to recruit suitably experienced and qualified staff. Furthermore, it also has a bearing on the mobility of the local labour market and inward investment and business growth opportunities.

- **Morbidity/Growing number of years of ill health**

  Increasing pressures are being felt by many parts of the public sector, primarily through the growing demand on support costs, through such things as disabled facilities grants and personal care costs. This is not something that any single agency has ownership of, but requires joint working to deliver effective solutions. For this reason it is considered appropriate that it be included in the AGS.

- **Wider economic environment**

  The Council is very much reliant on the private sector to deliver one of its key Corporate Plan strategic priorities – delivering sustainable growth across the District. Whilst the Council is able to assist the private sector in a number of ways, external factors such as a market volatility will have a greater impact, which in turn will have direct impacts on the Council's financial plans and forecasts for new homes bonus, council tax and business rates incomes.

- **Skill levels and educational attainment**

  Linked to the issues noted above, it is important that the workforce within the area not only becomes more self-reliant but also contributes to the areas ability to grow and thrive. A skilled and flexible workforce which possesses digital skills will allow the Council to transform its current delivery models and offer new methods of service delivery.

- **Environmental pressures and sustainability challenges**

  There is growing recognition of the significant consequences of a failure to properly account for human actions, and wider climactic events which are becoming increasingly common. The national risk register includes flooding and severe weather events as risks that as a country we should prepare for. We also recognise the health impacts of pollution and poor human behaviour in terms of pollution and improper handling of waste as key challenges to the beauty and sustainability of our area.

Review of the Year

2019/20 has been another challenging year for the Council with the reduction of grant funding from Central Government as austerity measures continue.

The Council set a gross budget for the year of £70.024m, following fees and charges income and reserve movements set a net budget £20.441m (2018/19; £20.308m), a net decrease of £0.133m (0.65%). After allowing for the following non-ring fenced government grants:

- Revenue Support Grant of £0m (2018/19; £0.604m),
- Business Rates Retention scheme (NDR) of £6.907m (2018/19; £5.841m),
- New Homes Bonus of £2.038m (2018/19; £2.718m),
- Section 31 Grant of £1.729m (2018/19; £1.729m)
- Collection Fund surplus of £0.989m (2018/19; £0.966m surplus)

and a contribution to revenue reserves of £3.285m (2018/19 £3.026m). This left the Council to raise £8.778m (2018/19; £8.450m) from Council Tax which equated to a Council Tax of £142.16 (2018/19; £138.56) for a Band D equivalent property. This represented a 2.00% increase for a Band D council tax payer.

Performance

How the Council performed against its Objectives and Budget are detailed below. Further information can be found in the 18 June Cabinet report (click here).

Summary of progress of key actions for 2019/20:

Status of Key Actions	Number	Percentage
Green (on track)	23	77%
Amber (within acceptable variance)	7	23%
Red (behind schedule)	0	0%
Awaiting progress update	0	0%
Not applicable	0	

Summary of progress of Corporate Indicators for 2019/20:

Corporate Indicator results	Number	Percentage
Green (achieved)	29	67%
Amber (within acceptable variance)	7	16%
Red (below acceptable variance)	7	16%
Awaiting progress update	0	0%
Not applicable (annual/data unavailable)	0	

Achievements within these key performance indicators are highlighted below:

Theme: People – we want to make Huntingdonshire a better place to live, to improve health and well-being and support people to be the best they can be

- The number of sessions delivered at and by One Leisure Facilities was above the target set for the year. One factor related to an increase in the number of activity sessions being delivered for young people.

- The annual target for volunteering days was achieved with support from Countryside Services and One Leisure Active Lifestyles.

- The Council recorded 521 homelessness preventions during 2019/20 which means that fewer people needed to be housed in temporary accommodation. This was due to a range of earlier interventions being implemented.

- Staff sickness levels for 2019/20 were significantly lower than recorded in 2018/19.

Theme: Place – we want to make Huntingdonshire a better place to work and invest and we want to deliver new and appropriate housing

- Implementation of ‘on the go’ recycling bin trials in St Neots and Huntingdon town centres in a bid to support ongoing environmental project goals and the council’s green agenda commitments. Further trials are planned in 2020/2021 to take place in St Ives and Ramsey.

- In February, the East-West Rail Company announced the decision for the proposed route of the brand-new investment in Oxford to Cambridge public transport, choosing Route E, out of the five routes shortlisted in prospective plans. The chosen route, which was collectively championed as the best option by Huntingdonshire District Council, Bedford Borough Council, South Cambridgeshire District Council, and Cambridge City Council, includes the building of infrastructure and a new station just south of St Neots.

- Adoption of the ‘Prospectuses for Growth’ for St Ives, Huntingdon and Ramsey by the Cambridgeshire and Peterborough Combined Authority (CPCA) which was subsequently endorsed by Cabinet in March 2020. Work in St Neots shifted focus to the Future High Street Funding bid as a Government Grant was received to develop a business case for the town. The numbers of new homes and affordable homes both exceeded expectations.

- 440 new affordable homes were completed in 2019/2020 across the district. This is the highest number of completions in a single year for more than a decade.

Theme: Provide Value for Money Services – we want to become more efficient and effective in the way we deliver services and become a more customer focussed organisation

- The proportion of household waste recycled/reused/composted was better than performance in the previous year and achieved a year end result of 60% against a target of 59%. There was significant effort made in work undertaken during the year to bring the contamination rate down.

- Call Centre and Customer Service Centre satisfaction rates completed the year at high levels (89% and 95% respectively), reflecting positive feedback from individuals.

- the average number of days to process changes of circumstances for Housing Benefit and Council Tax Support improved from 4 days in 2018/19 to 3.4 days in 2019/20.

- The average number of days to process new claims for Housing Benefit and Council Tax Support improved from 23 days in 2018/19 to 22.5 days in 2019/20.

Revenue Spending and Sources of Income

The Table below sets out the Council's Budget for 2019/20 and how it performed and details the main sources of income the Council receives to pay for its services.

2018/19 Outturn (Restated)		2019/20			
		Budget	Outturn	Variation	
£000		£000	£000	£000	%
	Service				
4,998	Corporate Services	5,144	4,484	(660)	(13)
3,467	Chief Operating Officer	4,260	3,698	(562)	(13)
0	Programme Delivery	0	19	19	0
615	Planning Policy	908	822	(86)	(9)
177	Housing Strategy	154	139	(15)	(10)
774	Corporate Leadership Team	752	808	56	7
270	Transformation	(38)	380	418	(1100)
4,614	Operations	3,852	4,365	513	13
279	Leisure & Health	(20)	267	287	(1435)
2,120	3CICT Shared Service	2,145	2,206	61	3
17,314	**Net Revenue Expenditure**	**17,157**	**17,188**	**31**	**0**
3,274	Contribution to Reserves	3,285	3,537	252	8
(280)	Contribution from Earmarked Reserves	0	(283)	(283)	0
20,308	**Budget Requirement**	**20,442**	**20,442**	**0**	**0**
	Financing				
(7,639)	NDR and Council Tax Surplus/Deficit	(7,897)	(6,821)	1,076	(14)
(4,717)	Government Grant (Non-Specific)	(3,767)	(4,734)	(967)	26
498	Contribution to/(from) Reserves	0	(109)	(109)	0
8,450	**Council Tax For Huntingdonshire DC**	**8,778**	**8,778**	**0**	**0**

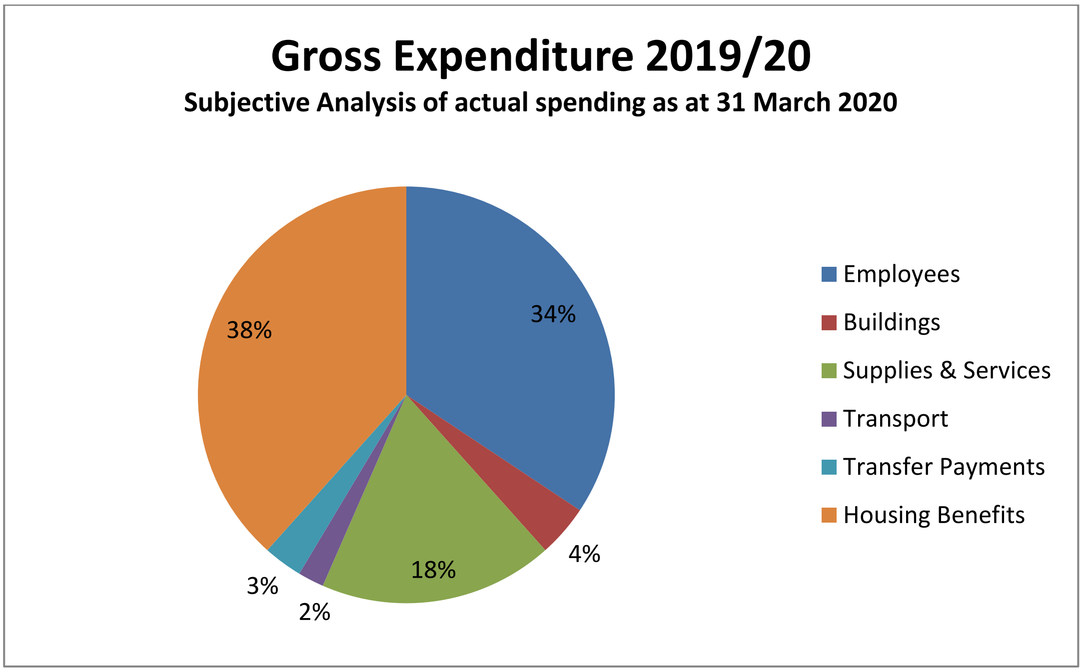
The outturn position above includes trading operations, commercial properties and some internal recharges that are not included in the cost of services section of the Comprehensive Income and Expenditure Statement or the Expenditure and Funding Analysis (Note 7).

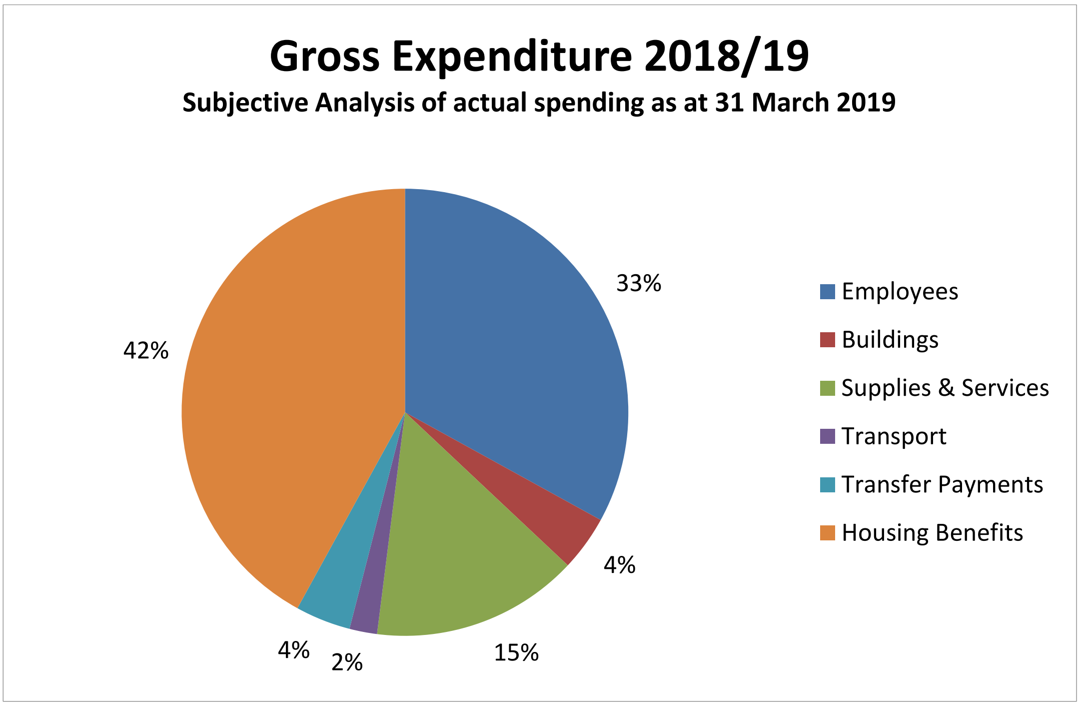
A summary of the variations of the outturn to the Budget are shown in the table below:

Service	**Main reasons for variance**
Corporate Services	Additional income was generated by the commercial investment properties. This was partially off-set by additional costs incurred due to the Resources restructure being delayed by 6 months.
Chief Operating Officer	Planning application income exceeded expectations and increases to bad debt provisions were not required. Homeless costs and benefits costs were generally in line with budget expectations. Staff savings across the department were off-set by additional costs arising from the Senior Leadership Team restructure.
Programme Delivery	This cost arose following the Senior Leadership Team restructure
Planning Policy	Staff savings and additional income from CIL (to cover administration costs) were partially off-set by higher consultants costs which were funded from earmarked reserves.
Housing Strategy	Staff savings from vacant posts.
Corporate Leadership Team	Projects generating external income did not progress as expected.
Transformation	The expected savings from the Senior Leadership Team restructure were budgeted for here and not fully achieved (only minor savings where achieved and these are included elsewhere). Transformation costs are funded from earmarked reserves.
Operations	Delays in replacing CCTV cameras with digital ones increased service costs. Green Spaces maintenance costs exceeded budget but most of this variance is funded from earmarked reserves. Energy savings covering staff costs were not achieved. Car park income has been affected by the covid-19 lockdown during March. These additional costs were partially off-set by the receipt of an insurance settlement.
Leisure and Health	The additional cost incurred on the transfer of the Sawtry One Leisure site was offset by the VAT refund due for 2018/19. Prior to the Covid-19 lockdown the service was looking to outturn in line with the budget target. This changed when the One Leisure sites had to close in March with the loss of income but no reduction in costs.
3CICT Shared Service	Two major projects incurred additional costs in 2019/20 however, the Council Anywhere project additional costs are funded from earmarked reserves.

Analysis of Revenue Income & Expenditure

The Council spent £77,785m in 2019/20 and the chart below shows the type of expenditure this was spent on.

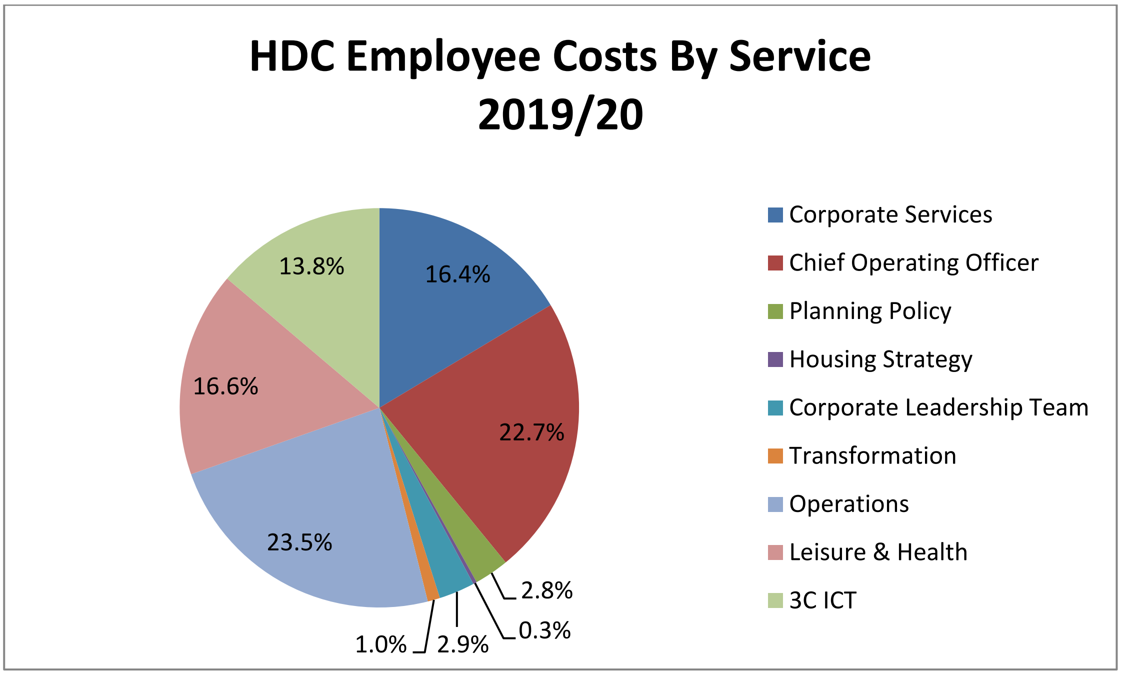


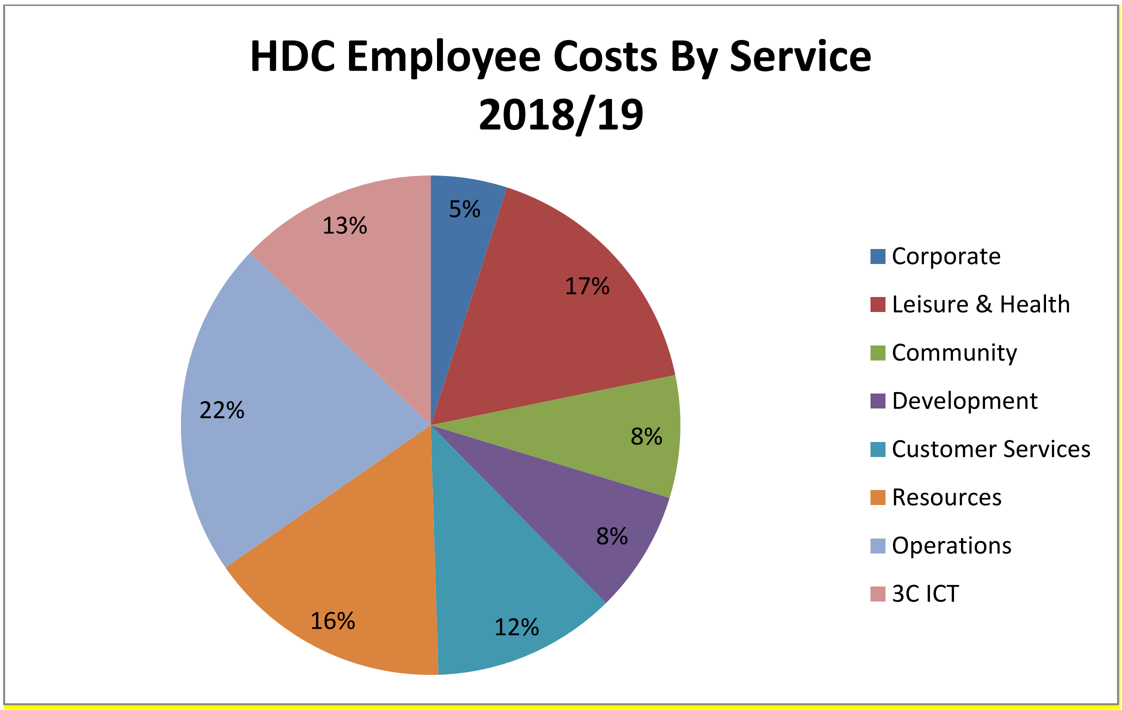


Note: These figures are different from those in the Comprehensive Income and Expenditure Statement (CIES) as that is based on accounting regulations and contains a number of costs that are not included in the above figures as they are not part of the Council's Management Accounts, for example depreciation charges.

Employee Expenditure

As can be seen from the graph above, the Council's biggest expenditure apart from Housing Benefits, is it's staff. In 2019/20 it spent £26.545m (£26.586m in 2018/19). The increase is due to the net impact of inflation and turnover adjustments. The chart below shows how this spend was split across the Council's services.





Reserves
The table below shows the movement in the useable reserves during the year to 31 March 2020.

Revenue Usable Reserves 2019/20	Bfwd	Contributions To	From	Cfwd
	£000	£000	£000	£000
General Fund	**2,555**	**4,316**	**(4,337)**	**2,534**
Earmarked				
Commercial Investment Fund	3,106	2,304	(2,028)	3,382
Market Towns Investment Fund	750	0	(104)	646
Special Reserve	584	723	(171)	1,136
Section 106	2,629	1,059	(1,556)	2,132
Other	10,666	2,470	(1,431)	11,705
	17,735	6,556	(5,290)	19,001
Total Usable Reserves	**20,290**	**10,872**	**(9,627)**	**21,535**

The 2019/20 provisional outturn report showed a net service expenditure underspend of £0.263m against the original budget approved in February 2019.

***** Please refer to note 10 for a further break down of Earmarked Reserves.

Capital Spending

Capital Programme

Introduction

The Council's final net capital budget for 2019/20 was £8.130m, unlike last year, there were no budgeted loans to other organisations. The table below shows the total budget (Gross and Net), and the amount spent against budget.

Capital Programme – Total	Gross	Grants	Net
	£000	£000	£000
Original Approved Capital Programme 2019/20	7,693	(1,475)	6,218
Approved Slippage from 2018/19	2,134	(222)	1,912
Updated Capital Programme for 2019/20	**9,827**	**(1,697)**	**8,130**
Expenditure	6,305	(1,746)	4,559
Variation Against Updated Capital Programme	**3,522**	**49**	**3,571**

*A more detailed analysis of the capital variance to budget can be found in the Integrated Performance Report on pages 8 to 12 on the following link: Cabinet committee 18th June 2020

The original net capital budget was £6.218m. Schemes that were delayed were rephased from 2018/19 totalling £1.912m. This resulted in an updated budget for the year of £8.130m.

Explanation of the Capital Programme Outturn

Gross expenditure in 2019-20 totalled £6.305m, £3.659m on assets, £2.260m of housing grants, and £0.386m on ICT assets.

Grants and contributions received were £1.653m, including £1.441m to fund DFG expenditure. The net capital programme was £4.596m.

The most significant schemes in 2019/20 were £2.260m spent on Disabled Facilities Grants, £0.694m on Alms Close redevelopment and £1.661m spent on One Leisure improvement and development schemes.

Sale of Assets

Sales of assets in the year included clawback of housing right to buy receipts (£0.254m). Loan repayments (of loans previously financed from capital) totalled £0.127m. The total receipts (£0.567m) have been used to reduce the requirement to borrow to finance the capital programme and reduced the amount that will be provided for the Minimum Revenue Provision (MRP) in future years.

Commercial Investment Strategy

Introduction

The Council spent £14.651m on the purchase of the Tri-link Distribution Centre, Wakefield.

Commercial Investment Strategy	**£000**
Approved Business Plan 2019/20	14,678
Updated Capital Programme for 2019/20	**14,678**
Capital Outturn	14,651
Variation Against Updated Budget	**(27)**

Explanation of Outturn

During 2019/20 the Council did not plan to invest in any Commercial Investment related acquisitions; an investment opportunity was presented to cabinet early in the financial year, which set an expected purchase price equal to the approved business plan shown above. This has now been spent within the year with a purchase outside the district.

The table below shows the breakdown of the Capital expenditure by project. The capital contributions and the funding pie charts show the capital expenditure by Service area.

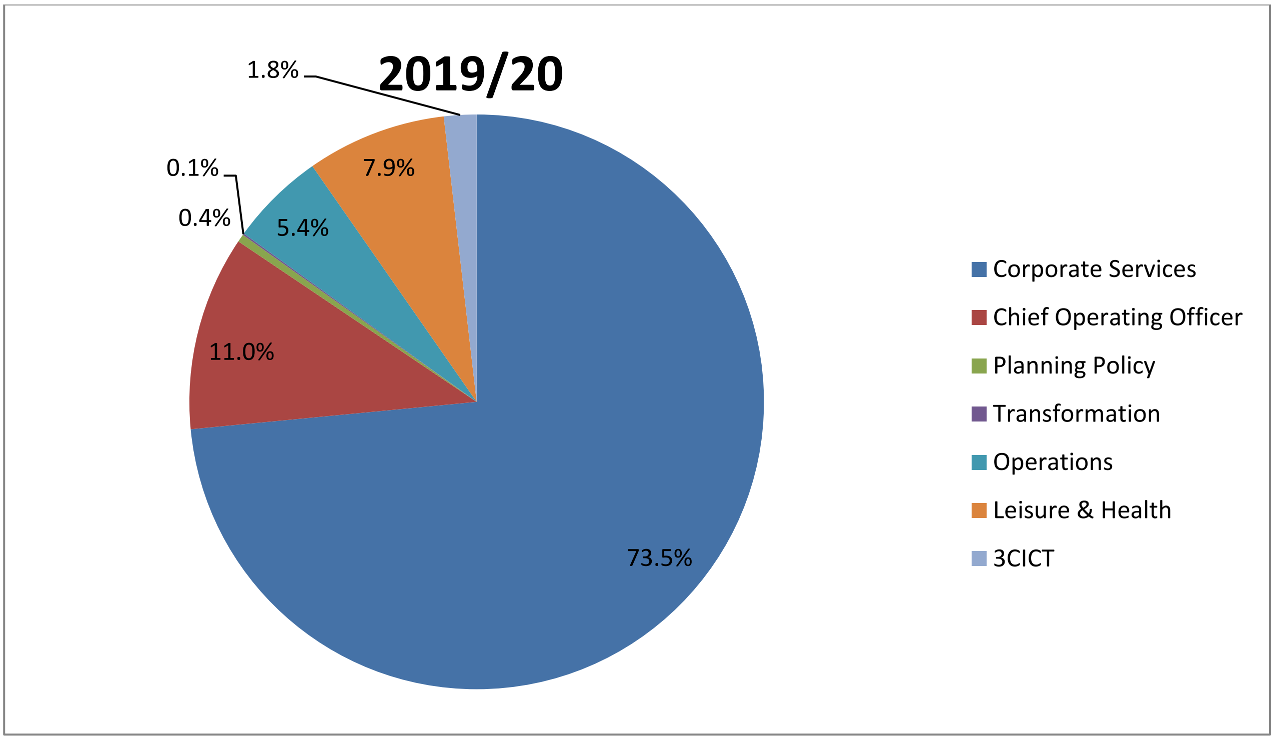
2018/19 £m	Capital Expenditure Assets	2019/20 £m
0.3	Environmental Projects	0.1
0.0	Car Parking	0.2
2.5	Housing Grants	2.2
0.9	Vehicle Replacement Programme	0.1
0.7	Information & Communication Technology	0.4
1.0	Leisure & Recreation	1.6
0.6	Huntingdon West development	0.1
0.2	Wheeled Bins	0.2
0.4	Industrial Unit Improvements	0.0
0.1	Pathfinder House Improvements	0.0
0.1	CCTV	0.3
0.0	Alms Close	0.7
0.1	Others	0.4
6.9	**Gross Expenditure**	**6.3**
(2.2)	Less External Contributions and Capital Grants	**(1.7)**
4.7	**Net Expenditure**	**4.6**
	Funded from	
(1.2)	Capital Receipts	(0.6)
(0.6)	Capital Grants Unapplied Reserve	(0.2)
(2.1)	Minimum Revenue Provision	(2.3)
(0.4)	Direct Revenue Funding	0.0
(0.4)	Borrowing and Internal Resources	(1.5)
(4.7)		**(4.6)**

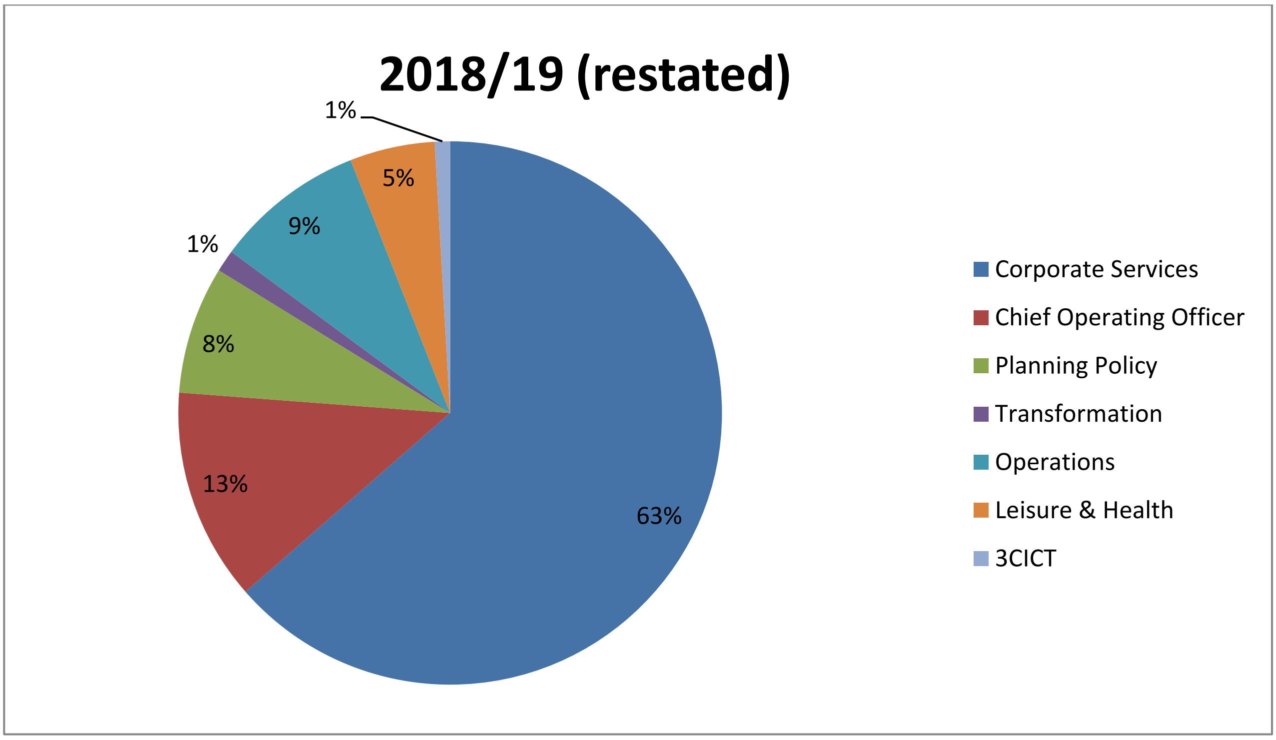
2018/19 £m	Capital Expenditure Loans	2019/20 £m
1.0	Urban and Civic Loan	0.0
0.8	Huntingdon Town Council	0.0
1.8	**Gross Expenditure**	**0.0**
	Funded from	
(1.0)	Capital Grants Unapplied Account	(0.0)
(0.8)	Borrowing	(0.0)
(1.8)		**(0.0)**

2018/19 £m	Capital Expenditure Commercial Investment Strategy	2019/20 £m
0.0	Tri-link, Wakefield	14.60
3.4	Little End Road, Eaton Socon, Hitchin	0.0
8.0	Rowley Centre, St Neots	0.0
11.4	**Gross Expenditure**	**14.6**
	Funded from	
(1.6)	Direct revenue Funding	(2.0)
(9.8)	Borrowing and Internal Resources	(12.6)
(11.4)		**(14.6)**

Capital Expenditure by Service

The pie chart below show the Capital expenditure by Service area for 2019/20.





Treasury Management

The main purpose of the Treasury Management Strategy is to:

- Ensure the Council has sufficient cash to meet its day to day obligations.
- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are considered to be low.
- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

The key market Treasury Management issues though 2019/20 influencing the Council's decision-making were:

- A moderate recent improvement in the equity market, falling Gilt rates meaning lower borrowing costs, and falling credit default swap rates (less perceived risk in the financial market).
- A continuation of the Bank of England's policy of very low interest rates, with the result that market rates also remain very low. The Council's average investing rate was 0.70%.

As a response to the Covid 19 pandemic the Bank of England cut the base rate in March from 0.75% to 0.10%. Whilst this did not affect our decision making during 2019/20 it will clearly impact any future ability to generate interest on surplus cash balances.

The Council's response to the key issues in 2019/20 was:

- Where the Council has surplus funds to primarily make short term investments (the majority on call on a daily basis) in liquidity accounts and money market funds.
- Where possible to take a higher return without sacrificing liquidity.
- When borrowing the Council has used the Public Works Loan Board (PWLB), which offers low fixed rate borrowing over a long period. The interest rate on loans borrowed ranges from 1.48% to 3.91%.

Looking to the Future

The coronavirus pandemic has had a profound impact on all aspects of life in Huntingdonshire. Through 2020/21 the Council will adopt a pro-active evidence-led approach to ensure that it responds to the emerging needs of residents and businesses. Anticipated impacts for example include an increased need for employment services, homelessness prevention, mental health and business support services.

Fair Funding Review and Business Rates Retention

The government have announced that the Fair Funding Review (FFR) and Business Rates Retention (BRR) will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

The Financial Statements

The Council’s financial statements for 2019/20 have been prepared in accordance with the:

- Standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2019/20 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards.

- Accounts and Audit Regulations 2015.

The primary financial statements are supported by explanatory notes, including details of the accounting policies adopted by the Council.

Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Statement shows how the movements in year of the Council’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase / Decrease line shows the statutory General Fund Balance movements in the year following those adjustments

The Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Council 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 reserve that may only be used to fund Capital expenditure or repay debt). The second category of reserves are unusable and 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; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

The Balance Sheet position at 2019/20 is £54.079m as shown overleaf (£33.221m 2018/19). The main reasons for this movement of £20.858m are:

- Long Term Assets – Property, Plant and Equipment and Investment Properties from additions and revaluations.
- Current Assets – Short Term Debtors and Cash & Cash Equivalent increase
- Long Term Liabilities – Short Term Borrowing and Short Term Creditor increase.

At this time, the accounting arrangements for the pensions of employees require the accounts to show the pension deficit liability but this is neutralised by a contra entry to an unusable pensions reserve. The statutory duty to fund any deficit remains the obligation of the Cambridgeshire County Council Superannuation Fund. As a result there is no impact on the financial position of the Council.

	31 March 2020 £000
Long Term Assets	144,049
Current Assets	40,957
Current Liabilities	(25,660)
Long Term Liabilities	(105,267)
Net Assets	**54,079**
Useable Reserves	55,474
Unusable Reserves	(1,395)
Total Reserves	**54,079**

The Cash Flow Statement

The Cash Flow Statement shows the changes in “cash” (cash and cash equivalents) of the Council during the reporting period. The statement shows how the Council generates and uses “cash” 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

Net Cash Flows from	**31 March 2020 £000**
- Operating activities	4,607
- Investing activities	(5,313)
- Financing activities	12,061
Net Increase or (decrease) in cash and cash equivalents	11,355
Cash & Cash Equivalents	
- At the beginning of the reporting period	2,447
- **At the end of the reporting period**	**13,802**

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid amounts raised from local taxation. As well as including amounts collected in respect of Council Tax, it now includes amounts collected from local businesses, which following the introduction of the Local Business Rates scheme, now means that Non-Domestic Rates are distributed subject to predetermined government set formulae. The Fund also accounts for payments due to preceptors.

The Expenditure and Funding Analysis (EFA)

In addition to the primary statements, the Expenditure and Funding Analysis (EFA) which is not a primary financial statement but has been included as Note 7 to the Accounts, demonstrates how the annual expenditure is used and funded from resources (Government grants, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Technical Information

International Financial Reporting Standards
The Council has reported its financial position based on the requirements of International Financial Reporting Standards (IFRS) and this is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Statement of Accounting Policies
The accounting polices applicable to the 2019/20 statement of accounts are, in the main, the same as those that were applied to the 2018/19.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that
The Responsible Financial Officer has not had to use the "true and fair view override".

Changes to the Statement of Accounts
A material change to the prior period has been included within the accounts shown in note 40.

Material and Unusual Charges or Credits in the Accounts
There are no material and unusual charges or credits in the accounts.

Material Events after the Reporting Date
There have not been any material events after the reporting date.

Material Assets Acquired or Liabilities Incurred
There have been 1 material asset acquired during the year totalling £14.6m. There have been no material liabilities incurred.

Changes in Statutory Functions
There were no changes in statutory functions in 2019/20.

Claire Edwards FCCA

Chief Finance Officer

31 January 2021

Independent Auditor's Report to the Members of Huntingdonshire District Council

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTINGDONSHIRE DISTRICT COUNCIL

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 Finance Manager.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance Managers Responsibilities
The Finance Manager is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Head of Resources has:
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Finance Manager has also:
- kept proper accounting records which were up-to-date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020. These financial statements replace the unaudited financial statements signed by the Finance Manger on 31 May 2020.

Claire Edwards FCCA
Chief Finance Officer

31 January 2021

Chairman's Approval of the Statement of Accounts

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Corporate Governance Committee of Huntingdonshire District Council at its meeting on 27th January 2020 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor Graham Bull
31 January 2021

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 10	Capital Grants Unapplied £000 Note 31	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 23	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2019/20						
BALANCE AT 31 MARCH 2019 B'FWD	**2,555**	**18,025**	**23,342**	**43,922**	**(15,139)**	**28,783**
Surplus/(Deficit) on provision of services	(3,365)	0	0	(3,365)	0	(3,365)
Other comprehensive income and expenditure	0	0	0	0	28,580	28,580
Total comprehensive income and expenditure	**(3,365)**	**0**	**0**	**(3,365)**	**28,580**	**25,215**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,728	0	10,597	17,325	(17,325)	0
Net increase/(decrease) before transfers to earmarked reserves	**3,363**	**0**	**10,597**	**13,960**	**11,255**	**25,215**
Transfers (from)/to earmarked reserves (Note 10)	(3,384)	1,266	0	(2,118)	2,118	0
(Decrease)/increase in Year	**(21)**	**1,266**	**10,597**	**11,842**	**13,975**	**25,215**
BALANCE AT 31 MARCH 2020 C'FWD	**2,534**	**19,291**	**33,939**	**55,764**	**(1,766)**	**53,998**
Movement in reserves during 2018/19 (Restated)						
BALANCE AT 31 MARCH 2018 B'FWD	**2,658**	**16,013**	**17,288**	**35,959**	**(5,466)**	**30,493**
Surplus/(Deficit) on provision of services	3,655	0	0	**3,655**	0	**3,655**
Other comprehensive income and expenditure	0	0	0	**0**	(5,365)	**(5,365)**
Total comprehensive income and expenditure	**3,655**	**0**	**0**	**3,655**	**(5,365)**	**(1,710)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	306	0	6,054	**6,360**	(6,360)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**3,961**	**0**	**6,054**	**10,015**	**(11,725)**	**(1,941)**
Transfers (from)/to earmarked reserves (Note 10)	(4,064)	2,012	0	**(2,052)**	**2,052**	**0**
(Decrease)/increase in Year	**(103)**	**1,722**	**6,054**	**7,963**	**(9,673)**	**(2,231)**
BALANCE AT 31 MARCH 2019 C'FWD	**2,555**	**18,025**	**23,342**	**43,922**	**(15,139)**	**28,783**

Comprehensive Income and Expenditure Statement (CIES)

2018/19 Restated				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
7,201	(360)	6,841	AD Corporate Services	7,507	(796)	6,711
44,682	(39,563)	5,119	Chief Operating Officer	40,849	(35,805)	5,044
0	0	0	Programme Delivery	19	0	19
1,552	(347)	1,205	Planning Policy Manager	1,586	(570)	1,016
174	0	174	Housing Strategy Manager	219	0	219
870	(10)	860	Corporate Leadership Team	874	0	874
285	0	285	AD Transformation	432	(12)	420
12,010	(4,830)	7,180	Head of Operations	12,287	(5,195)	7,092
8,855	(6,799)	2,056	Head of Leisure & Health	8,629	(6,687)	1,942
8,722	(6,078)	2,644	3CICT Shared Service	9,610	(6,816)	2,794
84,351	**(57,987)**	**26,364**	**Cost of Services**	**82,012**	**(55,881)**	**26,131**
5,495	0	5,495	Other Operating Expenditure (note 11)	9,689	0	9,689
4,399	(4,772)	(373)	Financing and Investment Income and Expenditure (note 12)	10,424	(5,843)	4,581
1,490	(36,631)	(35,141)	Taxation and Non-specific Grant Income (note 13)	3,654	(40,690)	(37,036)
95,735	**(99,390)**	**(3,655)**	**(Surplus) / Deficit on provision of services**	**105,779**	**(102,414)**	**3,365**
		(6,888)	(Surplus) or deficit in the revaluation of non-current assets			(333)
		0	Surplus/deficit on financial assets measured at fair value through other Comprehensive Income			0
		12,253	Actuarial losses/(gains) on pension assets and liabilities			(28,247)
		5,365	**Other comprehensive income and expenditure**			**(28,580)**
		1710	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(25,215)**

Balance Sheet

Restated 31 March 2019 £000		Notes	31 March 2020 £000
75,964	Property, Plant and Equipment	14	73,212
65	Heritage Assets		65
46,252	Investment Property	15	54,945
1,067	Intangible Assets	16	976
3,966	Long Term Investments	17	3,824
10,704	Long Term Debtors	17	11,027
138,018	**Long Term Assets**		**144,049**
1,000	Short Term Investments	17	0
627	Inventories	18	225
20,628	Short Term Debtors	19	27,013
6,629	Cash and Cash Equivalents	20	13,004
480	Assets Held for Sale	21	480
29,364	**Current Assets**		**40,722**
(4,182)	Bank overdraft	20	(29)
(483)	Short Term Borrowing	17	(4,762)
(14,301)	Short Term Creditors	22	(18,086)
(1,566)	Provisions	38	(1,956)
(20,532)	**Current Liabilities**		**(24,833)**
(28,268)	Long Term Borrowing	17	(39,417)
(718)	Other Long Term Liabilities	17	(718)
(89,081)	Net Pensions Liability	37	(65,805)
(118,067)	**Long Term Liabilities**		**(105,940)**
28,783	**Net Assets**		**53,998**
43,922	Useable Reserves	23	55,761
(15,139)	Unusable Reserves	24	(1,766)
28,783	**Total Reserves**		**53,998**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2020. These financial statements replace the unaudited financial statements signed by the Finance Manager on 31 May 2020.

Claire Edwards FCCA
Finance Manger – **s.151 Officer**
31st May 2020

Cash Flow Statement

Restated 2018/19 £000		2019/20 £000
3,655	Net Surplus / (Deficit) on the provision of services	(3,365)
10,057	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	19,801
(10,747)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(12,656)
2,965	Net cash flows from Operating Activities	**3,780**
(9,290)	Investing Activities (Note 26)	(5,313)
6,596	Financing Activities (Note 27)	12,061
271	Net increase/(decrease) in cash and cash equivalents	**10,528**
2,176	Cash and cash equivalents at the beginning of the reporting period	2,447
2,447	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**12,975**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 they relate to rather than the year they take place
- Primacy of legislative requirements – legislation overrides standard accounting practice

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.

➢ Going Concern

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

The Council's accounts for 2019/20 include the early impacts of COVID-19 on its financial position, which mainly relate to reduced Leisure, Commercial and Parking income.

The Council is carrying out regular reviews of its forecast financial position during 2020/21, which includes the following:

- Forecast loss of income for all services, including the impact of lock-down closures and ongoing reductions;

- Forecast additional expenditure for all services, including the additional costs of continuing to run Council services and meeting Government requirements (e.g. providing hotel accommodation to the homeless and those in hostels);

- The additional costs of implementing Government policy in relation to additional Business Rate Reliefs; Small Business Grants; Retail, Hospitality and Leisure Grants; and Discretionary Business Grants. These costs will be off-set by New Burdens funding;

• Changes to the Council’s capital programme, including works that need to be delayed and also works that can be brought forward;

• The impact on the Council’s cashflow, including making sure that the Council has sufficient liquid cash available;

• Known Government funding and assumptions around the funding that will be received under the income compensation scheme.

• The overall estimated impact on the Council’s General Fund balance.

An informal report to Cabinet in late July forecast that the net General Fund impact in 2020/21 would be around £2.3m. This is against a General Fund balance as at 31st March 2020 of £19.4m and a draft minimum General Fund balance of around £2.5m (subject to audit). It was therefore recommended that no emergency budget is required. The Council will publish an update to its Medium Term Financial Strategy in February 2021. The assessments carried out in preparation for this consider the potential for impacts on key areas of income and expenditure continuing in to 2021/22.

It also considers the impact on funding in terms of:

• Deficits on the Collection Funds in 2020/21 that would need to be funded in later years.

• The implications of a decline in Business Rate income down to safety net levels.

• Changing the assumptions around growth in the Council Tax base, due to reductions in the building of new properties and increased eligibility for Council Tax Support Scheme.

The Strategy will show that the impact is affordable in 2021/22 by mainly by one off government funding and using some reserve balances, even when more negative scenarios are considered. This gives the Council some time to focus on recovery and hopefully get some more certainty on funding (in relation to tax base and ongoing Central Government funding) before embarking on a strategy to achieve a balanced in-year budget by the end of the 5 year period.

It is therefore noted that there is headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

➢ Government Grants and Contributions (IAS 20)

Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement if the conditions attached to the grant or contribution have been met. However, if the conditions require that the grant or contribution is returned where these conditions are not met, it cannot be credited to the Comprehensive Income and Expenditure Statement.

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 line or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

The Council receives monies from developers, S106 monies, which are credited to the Comprehensive Income and Expenditure Statement and transferred to an earmarked fund. The condition for these contributions is that they are returnable 10 years after receipt if they are not used. It is considered that 10 years is too far into the future to be treated as receipts in advance.

➢ **Accruals of Income and Expenditure**

Income and expenditure are accounted for in the year to which they relate, not simply when cash payments are made or received, by the creation of debtors and creditors which are recorded in the Balance Sheet. However if any amount (income or expenditure) comes to light after a reasonable cut off period and is below £5k it will not be accrued for within the financial year, as it will not have a material effect on the position of the income and expenditure reported within these statements. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of NDR and Council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services provided or the Council incurs expenses directly on its own behalf in providing the services.

Changes in Accounting Policies, Prior Period Adjustments, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, if material, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. For 2019/20, there are no new accounting policies in respect of statutory requirements or to ensure local circumstances are better reflected within the Annual Report.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Exceptional Items

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

Interest Receipts

Interest receipts credited to the General Fund include all amounts received in respect of balances held and invested externally, except for interest earned on the S106 reserve (one of the earmarked reserves) which is credited to that reserve. Interest receipts are included in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement; they are included in the Balance Sheet as the General Fund Balance, Capital Reserve, Earmarked Reserves or Capital Grants Unapplied.

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

However, there are other reserves that cannot be used to finance expenditure:

- Capital Adjustment Account – these are capital resources set aside to meet past expenditure.
- Revaluation Reserve – the gains of valuation of assets not yet realised by sales.
- Financial Instruments Adjustment Account – balancing account to allow for differences in statutory requirements and accounting requirements for borrowing and investments.
- Collection Fund Adjustment Account – holds the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund.
- Pensions Reserve – balancing account to allow the pensions liability to be included in the Balance Sheet.

- **Value Added Tax**

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

- **Events after the Balance Sheet Date**

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. Two types of events can be identified:

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

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

- **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the investment date and that are readily convertible to 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 Council's cash management.

Accounting Policies in respect of Non-Current Assets

- **Property, Plant and Equipment (IAS 16)**

Assets that have physical substance and are held for use in the provision 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 associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

  There is a de-minimis level of £10,000 however, where the cumulative value of individual assets is greater than £10,000 and they meet the criteria for recognition they will be capitalised.

- Measurement

  Assets are initially measured at cost, comprising:

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

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

Existing Use Value	Land and Buildings
Fair Value	Investment Properties
Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
Historic Cost:	Community Assets, Assets Under Construction Assets Held for Sale
Depreciated Replacement Cost:	Leisure Centres

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their carrying value is not materially different from their fair value at the year end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a Service revenue account. Thus there is no impact on council tax.

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

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

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

- Components

The Council will separately account for components where the cost of the component is significant in relation to the overall total cost of the asset, and the useful economic life of the component is significantly different from the useful economic life of the asset. Individual components with similar useful lives and depreciation methods will be grouped.

For this purpose a significant component cost would be 10% of the overall total cost of the asset but with a de-minimis component threshold of £100,000.

The component accounting is applied only to those assets revalued after 1 April 2012 but given the three year programme all assets have been revalued and the policy now applies to all assets.

The impact is that some components have a useful life of between 15 and 35 years, which in some instances is different to the useful life of the main asset and therefore the depreciation charge varies from that based on the same useful life for the whole asset.

- Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

- Disposals and Non-Current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

- Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by allocating the value of the asset over their useful lives. An exception is made for assets where the finite useful life cannot be determined, (i.e. land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated as follows:

Asset Type	Depreciation basis	Useful Economic Life
Operational Buildings	Straight-line allocation over the estimated life of the building or component where identified separately	10 years to 45 years
Vehicles, Plant, Furniture & Equipment	Straight line allocation over the estimated life of the asset	1 year to 44 years
Infrastructure		3 years to 44 years

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

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

The residual value of the assets is reviewed at least every five years and the depreciation adjusted to match any change in the life of the asset.

Year of depreciation charge

The depreciation charge will generally commence in the year after the addition of the asset, unless the in-year depreciation charge would have a material impact.

➢ **Depreciation and other Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.
In respect of General MRP Policy capital assets, MRP will be chargeable in the year following the agreement of any final account. For each financial year, for other capital investments MRP will be charged in the following the completion of the scheme.
The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. The Council has adopted the following which clarifies the policy to be applied in differing circumstances:

i. MRP Policy in respect of Loans to Organisations or Loans with Security (as defined within the Treasury Management Strategy)

   Where the Council has provided:

   - loans to local organisations or businesses, and/or
   - loans with security

   and these loans are repaid on, at least an annual basis, that the principal repayments received can replace the need to make a minimum revenue provision.

ii. MRP Policy in respect of Debt not relating to Loans to Organisations

   MRP for this category will be on an annuity basis. This results in the MRP increasing over the life of the asset to match the fall in the interest cost as the debt is “notionally” repaid. The net result is a consistent charge to the Council’s accounts over the assumed life of the asset.

iii. MRP Policy in respect of the Commercial Investment Strategy

   For each capital investment undertaken under the requirements of the Council’s Commercial Investment Strategy, MRP will be made that is equal to the principal repayment for any loan finance supporting the investment. However, from 2017/18 the Council has approved a further MRP Policy for CIS purchases (commercial and housing acquisitions) where the expenditure will be financed by Maturity Loans.

Under this policy MRP would be allocated only if the value of the asset is less than the value of the loan outstanding.

The CIS asset Parkway, Fareham, Rowley Arts Centre, St Neots and Tri-Link Wakefield have been purchased under this MRP policy, the value of these properties to the value of the respective loans as at 31st March 2020, are shown in the table below.

CIS Property:	Values £m
Parkway, Fareham	
Value of Property as at 31st March 2020	4.400
PWLB Loan Outstanding	5.000
Property value exceeds loan	**(0.600)**
Rowley Arts Centre, St Neots	
Value of Property as at 31st March 2020	5.750
PWLB Loan Outstanding	7.291
Property value exceeds property	**(1.501)**
Tri-Link, Wakefield	
Value of Property as at 31st March 2020	**12.500**
PWLB Loan Outstanding	11.953
Loan Value exceeds property	**0.547**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal; receipts from disposals are credited to the same line. Any accumulated revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

➢ **Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets).

Heritage Assets are those that are held and maintained by the Council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

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

The Authority's Heritage Assets are accounted for as follows:

- Cultural

  The Council has identified the Norman Cross and Eagle as a Heritage Asset and this is disclosed in the Balance Sheet, based on insurance valuation, at £65k. It should be noted that there is no phased basis of valuation. This asset is:

  - deemed to have an indeterminate life and consequently the Council does not consider it appropriate to charge depreciation.
  - static and located at Norman Cross, Cambridgeshire, near to the intersection with the A1.

- Mayoral Regalia and Art Collection

  The Council has two mayoral chains of office and two paintings; however the total estimated value of these assets, based on insurance valuations, is £33k. As individually these assets are not material, they have not been included in the Balance Sheet.

➢ **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.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life and debited to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are debited to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is debited or credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➢ **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if they are used in any way for the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated and are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties is credited to the Financing and Investment Income and Expenditure line and results in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

➢ **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 and equipment, applied to write down the lease liability, and
    - a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

    The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

    In practice the Council has two categories of finance leases in primary rental for industrial units and secondary leases for certain items of equipment.

  - Operating leases.

    Rentals paid under operating leases are debited to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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. At the commencement of the lease the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, matched by a lease (long-term) debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor, and
- finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for this capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off values of disposals are not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

- <u>Operating Leases.</u>

  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 line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

➢ **Revenue Expenditure funded from Capital under Statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of property, plant and equipment. Items incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where it has been determined to meet the cost of the item from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Current Value Measurement (IFRS 13)

Previously, all assets and liabilities were valued under the principle of "fair value" which was defined as "the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction".

Although "fair value" remains as the approach to valuation for a number of assets and liabilities, in respect of Operational Assets IFRS 13 introduces "current value". This means such assets have to be measured in a way that recognises their "service potential".

Accounting Policies in respect of Current Assets

- **Inventories**

The Council has a number of inventories but none either individually or in aggregate are material to the accounts. However, the valuation approach in respect of the main inventory types (Fuel and Stock for Sale) is First In First Out.

- **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

- **Provisions and Contingent Liabilities**

- Provisions

  Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement and a reliable estimate of the obligation can be made. Provisions are debited to the Comprehensive Income and Expenditure Statement and are measured at the best estimate of the expenditure that is likely to be required. When payments are made, they are charged to the provision.

- Contingent Liabilities

  A contingent liability arises from an event which is too uncertain, or the amount of the obligation cannot be reliably estimated. The liability is disclosed as a contingent liability within the notes to the accounts. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Accounting Policies in respect of Employee Benefits

- **Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees provide services to the Council.

- **Termination Benefits**

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

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension

fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

- **Post-Employment Benefits (Pensions)**

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 projected 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).

- The assets of the Cambridgeshire County Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

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

  - **current service cost** – the increase in liabilities as a result of years of service earned this year – debited in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - **net interest on the net defined liability**, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - **the return on plan assets** – excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
  - **contributions paid to the Cambridgeshire Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The balance (currently negative) that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

➢ **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Accounting Policies in respect of Financial Instruments

➢ **Financial Assets**

A financial asset is right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised Cost
- Fair Value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivables are based on the carrying amount of the asset multiply by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivables (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

The Council's business model to collect cash flow comprises:

- Loans to other local authorities
- Loans to small companies such as Luminus, Huntingdon Gym Club etc.
- Trade receivables

Financial Assets Measured at FVPL

Financial assets that are measured at FVPL are recognised on Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The fair value gains and losses are recognised as they arrive in Surplus or Deficit on the provision of Services. The Council has shown the following assets within this category:

- CCLA Property Fund

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

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

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

- Level 1 inputs – quoted prices in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within level a that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Financial Assets Measured at FVOCI

Financial assets that are measured at FVOCI are recognised on Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument; and the Council's business model is both to collect cash flow and sell the instrument.

➢ **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The Council has the following liabilities:

- Creditors
  Creditors are carried at their original invoice amount.

- Bank overdrafts
  Bank overdrafts comprise amounts owed to banks and similar institutions and are repayable on demand.

  Due to their nature and short-term maturity, the fair values for creditors and bank overdrafts are estimated using their carrying values.

- Short-term borrowing
  Loans of less than 1 year and carried at amortised cost.

- Long-term loan

Loans with the Public Works Loans Board are carried at their amortised cost but with the fair value disclosed a note

Note 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, and as a result have not been adopted by the Council.

- **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 IFRS 16 for local government to 1 April 2021.

- **IAS 19 Employee Benefits;** will require the remeasurement of net pension asset/liability following plan amendment, curtailments, or settlements to be used to determine current service costs 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 a positive, negative or no movement in the net pension liability, no prediction can be made of the possible account impact.

Note 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In light of the current financial environment or continuing austerity across the public sector, the Council continues to monitor it budget based on achieving its target net service budget position at the end of the year. The Budget for 2019/20 was approved by Council in February 2019. The Medium-Term Financial Strategy (MTFS), which was also approved in February 2019, removes the reliance on NHB by 2020/21. The Council has the Plan on a Page Strategy which sets out its financial strategy

  However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In line with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, based on International Financial Reporting Standards, the Council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2019/20 for Land is £23,616m and Buildings (NBV) is £39,788m (20178/19; Land is £21,918m and Buildings (NBV) is £32,999m).

- The Council has taken professional advice from the Pension Fund's actuary, Hymans Robertson LLP, to determine the overall net liability of the fund which is £65.132m for 2019/20; this has decreased by £23.949m since 2018/19. However:

  - This does not adversely affect the financial position of the Council as the actuarial valuation is based on a number of assumptions about the future, as shown in Note 37.

- The revenue impact of the deficit is formally reviewed by the actuary on a triennial basis who determines revised employer contributions for the 3-year period. Further, fluctuations in pension assets and liabilities occur due to movements in market investments.

- The participants in the Council's Non-Domestic Rates Collection Fund share the costs of any successful appeals to reduce the rateable value of a property. This includes the cost of any outstanding appeals which may be backdated prior to 1 April 2014.

  To estimate the provision for outstanding appeals, the Council has reviewed the outstanding appeals as at 31 March 2020. An estimated provision of £4.857m has been included in the Collection Fund in respect of successful appeals costs. The Council's share of any such Collection Fund costs is 40% or £1.943m of the total provision and this is included in the General Fund balance.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	All property is reviewed on a 3 year rolling basis. Where an asset has not been specifically revalued, a table top analytical review has taken place to determine if any material changes in valuation have taken place (Revaluation Review). In addition an annual impairment review is undertaken by the valuer to determine if any of the Council's assets have been impaired.	79% of the council's assets are valued at fair value, so the impact of change in the market is significant. If there was a 1% fall in the market value, it is estimated that the value of the council's property assets would reduce by £0.582m.
Plant and Equipment	Plant and Equipment are valued on an historic cost basis.	There will not be any changes to this valuation due to market conditions because the valuation approach reflects costs at acquisition or similar situations.
Investment Properties	Investment Properties are valued on an annual basis and are valued at fair value.	It is estimated that a 1% fall in market value would reduce the value of the Council's investment properties by £0.549m.

Other Land and Buildings and Investment Properties	The Council's assets are shown in the accounts at either Depreciated Replacement Cost, Fair Value, Fair Value (Existing Use) or Market Value (dependent on the class of asset. Further information can be found in Note 1). The valuations are carried out by an external specialist in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation professional standards and International Financial Reporting Standards (IFRS). These valuations are arrived at using recent comparable transactions and for specialised properties using depreciated replacement cost methodology. The valuations have been provided amidst the economic uncertainty (business volumes have declined dramatically and economies have shrunk temporarily) created as a result of the global COVID-19 pandemic and thus the valuations have been reported subject to a Material Valuation Uncertainty clause. Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises. There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen.	The inclusion of the 'material valuation uncertainty' declaration however, does not mean that the valuation cannot be relied upon, rather that the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £20.029m. • A 1 year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.

		• A 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £1.811m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £18.059m.
Sundry Debt Arrears	The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity. At 31 March 2020 the Council has a net debtor's balance of £26.422m.	Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £0.041m impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £0.489m
Sundry Creditors (Housing Benefits)	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 31 March, however, accruals have been made to reflect the period that the payments actually cover. The Housing Benefit payments made by the Council are on one of the two following bases: i. 4-week in arrears, or ii. 2-weeks in arrears/2-weeks in advance.	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.
Provision for Rateable Value Appeals	Appeals against rateable value are at the discretion of non-domestic ratepayers with the outcome ultimately determined by the Valuation Office and are not within the Council's control.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net

		calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.485m for the Collection Fund of which £0.194m which would be attributable to the General Fund.

Note 5. Material Items of Income and Expenditure

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the Council (i.e. extraordinary). During 2019/20 no such items of income or expenditure were incurred (2018/19; nil).

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Finance Manager on 31st May 2020.

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Finance Manager on 31 May 2020.

With regard to 2019/20:

- **Adjusting Events**
  The financial statements and notes have not been adjusted for any such material events which took place after the 31 March 2020 as there have not been any.

It has been agreed that there are no non-adjusting events after the Balance Sheet date.

Note 7. Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax, business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2019/20					
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments	
	£000	£000	£000	£000	£000	£000
Corporate Services	5,422	129	1,160	0	1,289	6,711
Chief Operating Officer	3,701	861	482	0	1,343	5,044
Programme Delivery	19	0	0	0	0	19
Planning Policy	823	129	64	0	193	1,016
Housing Strategy	139	0	8	72	80	219
Corporate Leadership	809	0	65	0	65	874
Transformation	379	14	27	0	41	420
Operations	4,426	2,229	437	0	2,666	7,092
Leisure & Health	266	1,411	265	0	1,676	1,942
ICT Shared Service	2,192	329	273	0	602	2,794
Cost of Services	**18,176**	**5,102**	**2,781**	**72**	**7,955**	**26,131**
Other income and expenditure	(21,539)	6,067	2,190	(9,484)	(1,227)	(22,766)
(Surplus) or Deficit	**(3,363)**	**11,169**	**4,971**	**(9,412)**	**6,728**	**3,365**
Opening General Fund Balance (Includes Earmarked Reserves)	**20,580**					
Plus Surplus/(Deficit) on General Fund in Year	3,363					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,118)					
Closing General Fund Balance 31 March	**21,825**	**(see Page 13 of Commentary and Review of 2019/20)**				

	Restated 2018/19					
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments	
	£000	£000	£000	£000	£000	£000
Corporate Services	5,606	200	1,035	0	1,235	6,841
Chief Operating Officer	3,458	1,125	536	0	1,661	5,119
Programme Delivery	0	0	0	0	0	0
Planning Policy	615	590	0	0	590	1,205
Housing Strategy	177	0	0	(3)	(3)	174
Corporate Leadership	775	0	85	0	85	860
Transformation	269	0	16	0	16	285
Operations	4,633	2,210	352	(15)	2,547	7,180
Leisure & Health	279	1,528	249	0	1,777	2,056
ICT Shared Service	2,094	321	229	0	550	2,644
Cost of Services	**17,906**	**5,974**	**2,502**	**(18)**	**8,458**	**26,364**
Other income and expenditure	(21,867)	(2,887)	1,995	(7,260)	(8,152)	(30,019)
(Surplus) or Deficit	**(3,961)**	**3,087**	**4,497**	**(7,278)**	**306**	**(3,655)**
Opening General Fund Balance (Includes Earmarked Reserves)	**18,671**					
Plus Surplus/(Deficit) on General Fund in Year	3,961					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,052)					
Closing General Fund Balance 31 March	**20,580**	**(see Page 13 of Commentary and Review of 2019/20)**				

Notes to the EFA

a Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, impairment, revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

b Net Change for the Pensions Adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

c Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure – the other differences column recognises adjustments to the general fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

d Segmental Income

The table above shows Net Expenditure, the income analysed on a segmental basis is shown below:-

2018/19 £'000	Services	2019/20 £'000
360	Corporate Services	796
38,139	Chief Operating Officer	34,363
0	Programme Delivery	0
347	Planning Policy	570
0	Housing Strategy	0
10	Corporate Leadership	0
0	Transformation	12
4,830	Operations	5,195
6,799	Leisure & Health	6,687
6,078	ICT Shared Service	6,816
56,563	**Total income analysed on a segmental basis**	**54,439**

Note 8. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows;

Restated 2018/19 £000s	Expenditure/Income	2019/20 £000s
	Expenditure	
26,586	Employee benefits expenses	26,234
14,207	Other services expenses	15,907
3,627	Support service recharges	5,282
7,220	Depreciation, amortisation, REFCUS and investment property fair value adjustment	15,121
550	Interest payments	551
2,751	Transfer and Grant Payments	3,245
7,682	Precepts and levies	9,723
33,112	Benefit Payments	29,716
95,735	**Total expenditure**	**105,779**
	Income	
(27,606)	Fees, charges and other service income	(29,300)
(581)	Interest and investment income	(561)
(20,820)	Income from council tax and non-domestic rates	(21,510)
(41,089)	Government grants and contributions	(36,809)
(9,294)	Levies	(14,234)
(99,390)	**Total income**	**(102,414)**
(3,655)	**Surplus or Deficit on the Provision of Services**	**3,365**

Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2019/20

	Useable Reserves			
	General Fund balance £000	Capital receipts reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account: *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:* *Expenditure statement:*				
Charges for depreciation and impairment of non-current assets	(3,962)	0	0	3,962
Amortisation of intangible fixed assets	(232)	0	0	232
Fair value of investment properties	(5,962)	0	0	5,962
Revenue expenditure funded from capital under statute	(911)	0	0	911
Net carrying amount of non-current assets sold	(2,877)	0	0	2,877
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	211	0	0	(211)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	2,300	0	0	(2,300)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	567	0	(567)
Proceeds of sale of non-current assets	264	(264)	0	0
Repayment of loan	0	(303)	0	303
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(214)	0	0	214
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(9,499)	0	0	9,499
Employer's pensions contributions and direct payments to pensioners payable in the year	4,528	0	0	(4,528)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(1,120)	0	0	1,120
Adjustments involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	10,740	0	(10,597)	(143)
Total Adjustments	**(7,350)**	**0**	**(10,597)**	**17,947**

Restated 2018/19

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account: *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:* *Expenditure statement:*				
Charges for depreciation and impairment of non-current assets	(3,790)	0	0	3,790
Amortisation of intangible fixed assets	(239)	0	0	239
Fair value of investment properties	(502)	0	0	502
Revenue expenditure funded from capital under statute	(1,628)	0	0	1,628
Net carrying amount of non-current assets sold	(142)	0	0	142
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(320)	0	0	320
Losses on impairment of capital loans	(251)	0	0	251
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	788	0	0	(788)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	2,048	0	0	(2.048)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,244	0	(1,244)
Proceeds of sale of non-current assets	949	(949)	0	0
Repayment of loan	0	(295)	0	295
Adjustments involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	98	0	0	(98)
Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(8,911)	0	0	8,911
Employer's pensions contributions and direct payments to pensioners payable in the year	4,414	0	0	(4,414)
Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(406)	0	0	406
Adjustments involving the Capital Grants Unapplied Account Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	7,586	0	(6,054)	(1,532)
Total Adjustments	**(306)**	**0**	**(6,054)**	**6,360**

Note 10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet General Fund expenditure (either revenue expenditure or direct revenue financing of capital).

	Balance 31.3.18 £000	Transfers in £000	Transfers out £000	Balance 31.3.19 £000 Restated	Transfers in £000	Transfers out £000	Balance 31.3.20 £000	Purpose of Reserve
S106 agreements	**(1,385)**	(696)	433	**(1,648)**	(814)	1,456	**(1,006)**	**A**
Commuted S106 payments	**(1,233)**	(24)	275	**(982)**	(244)	100	**(1,126)**	**B**
Repairs and renewals funds	**(1,943)**	(264)	360	**(1,847)**	(33)	0	**(1,880)**	**C**
Strategic Transformation Reserve	**(708)**	(567)	437	**(838)**	(284)	317	**(805)**	**D**
Collection Fund Reserve	**(1,313)**	(889)	0	**(2,202)**	0	0	**(2,202)**	**E**
Commercial Investment Fund	**(3,598)**	(1,135)	1,627	**(3,106)**	(2,304)	2,028	**(3,382)**	**F**
Market Towns Investment Fund	**(500)**	(250)	0	**(750)**	0	104	**(646)**	**G**
Budget Surplus Reserve	**(2,212)**	(1,931)	167	**(3,976)**	(1,788)	989	**(4,775)**	**H**
Special reserve	**(998)**	(90)	504	**(584)**	(723)	171	**(1,136)**	**I**
Other reserves	**(2,123)**	(586)	617	**(2,092)**	(367)	126	**(2,333)**	**J**
Total	**(16,013)**	**(6,432)**	**4,420**	**(18,025)**	**(6,557)**	**5,291**	**(19,291)**	

Purpose of Reserve		
A	S106 agreements	Contains payments made by developers to meet their planning approval obligation to contribute to the funding of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve.
B	Commuted S106 payments	Represents payments made by developers to meet their planning approval obligation to contribute to the funding of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred funding is transferred from the reserve.
C	Repairs and renewals funds	Some services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D	Strategic Transformation Reserve	To fund workflow streams associated with initiatives to improve the efficiency of the Council.
E	Collection Fund	Excess NDR and Council Tax received from the Collection Fund due to be repaid in future years.
F	Commercial Investment Fund	Revenue allocation to meet future investment in commercial investment strategy
G	Market Towns Investment Fund	A fund to support the redevelopment of Huntingdonshire's market towns.

H	Budget Surplus Reserve	Contains “Surplus” funds that exceed 15% maximum threshold for the General Fund Balance
I	Special reserve	To support business activity that will achieve future savings.
J	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including Local Plan activity, NDR Reliefs, District Council Elections, New Trading Company, Community Infrastructure Levy administration, IT projects, Housing Support and Landlord activities.

Note 11. Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement

2018/19 £000		2019/20 £000
5,947	Parish Council precepts	6,651
403	Drainage Board Levies	425
(855)	(Gains)/losses on the disposal of non-current assets	2613
5,495	**Total**	**9,689**

Note 12. Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000
550	Interest payable and similar charges	551
1,985	Pensions interest cost and expected return on pensions assets	2,174
(581)	Interest receivable	(561)
(2,547)	Income and expenditure in relation to investment properties and changes in their fair value	2,292
(80)	CCLA Property Fund Fair Value adjustment	142
300	Other Investment, Trading Operations & Shared Services	(17)
(373)	**Total**	**4,581**

Note 13. Taxation and Non Specific Grant Income

Restated 2018/19 £000		2019/20 £000
(13,948)	Council Tax income	(15,191)
(6,351)	Non Domestic Rates	(6,249)
(5,725)	Non-ringfenced Government grants	(4,734)
(7,808)	Developer Contributions (CIL & S106)	(10,580)
(788)	Capital grants	(211)
(34,620)	**Total**	**(36,965)**

Note 14. Property, Plant and Equipment

In accordance with RICS guidance, current valuations are subject to ‘material valuation uncertainty’ (as per VPS 3 and VPGA 10 of the RICS Red Book Global). Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises. There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen.

Movements in 2019/20	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
Gross B'fwd	**61,827**	**20,784**	**10,063**	**451**	**230**	**93,355**
Additions	945	1,967	25	0	816	**3,753**
Revaluation to Revaluation Reserve	(986)	0	0	0	0	**(986)**
Revaluation to CIES	0	0	0	0	0	**0**
Disposal	(2,877)	(1,328)	0	0	0	**(4,205)**
Gross C'fwd	**58,909**	**21,423**	**10,088**	**451**	**1,046**	**91,917**
Depreciation						
Gross B'fwd	**0**	**(12,538)**	**(4,853)**	**0**	**0**	**(17,391)**
Depreciation in Year	**(1,929)**	**(1,619)**	**(413)**	**0**	**0**	**(3,961)**
Depreciation to Revaluation Reserve	1,319	0	0	0	0	**1,319**
Disposal	0	1,328	0	0	0	**1,328**
Gross C'fwd	**(610)**	**(12,829)**	**(5,266)**	**0**	**0**	**(18,705)**
Net Book Value						
At 31 March 2020	**58,299**	**8,594**	**4,822**	**451**	**1,046**	**73,212**
At 31 March 2019	**61,827**	**8,246**	**5,210**	**451**	**230**	**75,964**

Movements in 2018/19	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation						
Gross B'fwd	**56,850**	**20,214**	**10,063**	**451**	**202**	**87,780**
Additions	1,141	1,978	0	0	212	**3,331**
Revaluation to Revaluation Reserve	5,994	0	0	0	0	**5,994**
Revaluation to CIES	(131)	0	0	0	0	**(131)**
Non-enhancing capital expenditure	(1,731)	0	0	0	0	**(1,731)**
Disposal	0	(1,408)	0	0	0	**(1,408)**
Transfer to Assets Held for Sale	(480)	0	0	0	0	**(480)**
Transfer within Property, Plant and Equipment	184	0	0	0	(184)	**0**
Gross C'fwd	**61,827**	**20,784**	**10,063**	**451**	**230**	**93,355**
Depreciation						
Gross B'fwd	**(681)**	**(12,194)**	**(4,431)**	**0**	**0**	**(17,306)**
Depreciation in Year	(1,756)	(1,612)	(422)	0	0	**(3,790)**
Depreciation to Revaluation Reserve	2,430	0	0	0	0	**2,430**
Revaluation to CIES	7	0	0	0	0	**7**
Disposal	0	1,268	0	0	0	**1,268**
Gross C'fwd	**0**	**(12,538)**	**(4,853)**	**0**	**0**	**(17,391)**
Net Book Value						
At 31 March 2019	**61,827**	**8,246**	**5,210**	**451**	**230**	**75,964**
At 31 March 2018	**56,169**	**8,020**	**5,632**	**451**	**202**	**70,474**

Capital Commitments

As at 31 March 2020 the Council was contractually committed to capital works valued at approximately £1.416m (31 March 2019; £1.877m). The schemes are listed in the table below.

Division	**Scheme**	**Amount £000**
Chief Operating Officer	Disabled Facilities Grants	73
	Traveller Security Improvements	25
Resources	Alms Close	1,019
	HTC Grant	38
Operations	Refit Project	13
	Vehicle Fleet Replacement	19
	Wheeled Bins	44
	Parking Strategy	6
	CCTV Improvements	170
	Play Equipment	9
Total		**1,416**

Revaluations

- Land and buildings
  These assets are held at current value and were revalued as at 1 April 2016 onwards. The council operates a three year rolling programme of revaluations although where there has been significant capital expenditure on properties a revaluation will take place.

  The valuations were carried out externally and independently by Mr MJ Beardall BLE (Hons) MRICS (Member, Royal Institution of Chartered Surveyors) of Barker Storey Matthews. Mr Beardall has relevant experience in valuing these types of property and is a member of the Valuer Registration Scheme, and meets the requirements of the Red Book with regard to qualifications of the valuer, knowledge and skills, and independence and objectivity.

  The specific assumptions applied in estimating current values in respect of Land and Buildings by the Council's valuer were as follows:

  - The updated valuations have been prepared in accordance with the publication Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards. With specific reference made to UK Appendix 5 – Valuation of Local Authority Assets.

  - The assets have been valued in accordance with the Code of Practice on Local Authority Accounting, published by CIPFA.

  - The current value has been calculated by reference to comparable market evidence, including market evidence from the local geographical area. Adjustments have been made to factor in any unusual or onerous obligations, such as repairing obligations.

  - Where market evidence is unavailable due to the nature of the property; a depreciated replacement cost (DRC) method has been used. The DRC approach requires an estimate of the value of the land in its exiting use together with the current gross replacement costs of the building and its external works. Adjustments have been made to reflect the age, condition, economic, functional and environmental obsolescence and other locational factors. The build cost for DRC purposes has been calculated using the Building Cost Information Service quarterly review of building prices and is representative for an instant build approach.

- No adjustments have taken place for changes in value which may have taken place since the valuation date or for prospects of future growth.

- Useful economic live is based on how long the asset will deliver economic benefits for any purpose. This is based on the type of construction, the current age, and the condition of the asset.

- It has been assumed that there are no unusual or especially onerous restrictions, encumbrances or outgoings and that a good title can be shown. Also that the valuation would not be affected, by any matter that would be revealed by a local search.

- Assets falling outside of specific revaluation in the current financial year, have been considered and it is the valuer's belief that no other assets require an impairment review.

- Components have been considered in relation to LAAP 86 Componentisation of Property, Plant and Equipment, and the Council's componentisation policy.

- The properties have been assumed to be in reasonable tenantable condition, with no particular works being required that would prejudice a sale or the current value of the property, the properties have been assumed to be in a good state of repair.

- Building surveys have not been carried out, nor have inaccessible parts of buildings been inspected.

- No investigation has been made to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated. It has therefore been assumed in valuing the properties that such investigations would not disclose the presence of any such materials.

- We have assumed no contamination to be affecting the properties or neighbouring properties, which would affect our opinion on value.

- The properties are assumed to be in areas not prone to flooding.

Vehicles, Plant, Equipment and Infrastructure assets are valued at historic cost, as at the date of acquisition and subsequent capital enhancement expenditure less depreciation. Community Assets, and Assets Under Construction are valued at historic cost at the date of acquisition and subsequent capital enhancement. Consequently, there is no ongoing revaluation review for these assets.

Assets Held For Sale are valued at lower of carrying value and fair value less cost of sale.

Revaluation Profile	**Other Land and Buildings £000**
Valued at Current Value as at 31 March 2020	58,908

Note 15. Investment Property

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement as financing and investment income and expenditure.

2018/19 £000		2019/20 £000
(3,582)	Rental income from investment property	(4,673)
533	Direct operating expenses arising from investment property	1,003
(3,049)		**(3,670)**
502	Revaluation Adjustment	5,962
(2,547)	**Net (gain)/loss**	**2,292**

The movement in investment properties balances during the year are shown below.

2018/19 £000		2019/20 £000
35,169	**Balance at start of the year**	**46,252**
11,585	Additions in year	14,655
(502)	Net gain/(loss) for fair value	(5,962)
46,252	**Balance at end of the year**	**54,945**

Restrictions

There are no restrictions on the Council's ability to realise the value inherent in the investment properties or the Council's right to receive the income and proceeds of disposal.

Gains or Losses from changes in Fair Value

Gains or losses from Changes in the fair value of investment property are recognised in the Surplus or Deficit on the Provision of Services - Financing and Investment Income and Expenditure line.

Highest and Best Use

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

Valuation Techniques

There has been no change in valuation techniques used during the year for valuing investment properties. The fair value is measured on an annual basis as at 31st March. All valuations are carried out by a qualified valuer from Barker Storey Matthews, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Fair Value Hierarchy

In order to increase the consistency and comparability in fair value measurements, the method by which fair values are assessed are separated into three levels. The three levels are based on the inputs to the valuation techniques that are used to measure fair value.

Level 1 Inputs

Quoted prices 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 within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

Unobservable inputs for the asset or liability.

Details of how the Fair Value Hierarchy inputs apply to the Council's Investment Properties are demonstrated in the table below:

Asset Type	2018/19 Fair Value Inputs Level 2 Other significant observable inputs £000	2019/20 Fair Value Inputs Level 2 Other significant observable inputs £000
Retail	9,400	7,845
Office	11,525	10,520
Commercial	25,327	36,580
	46,252	**54,945**

The Council has no Level 1 and 3 Fair Value Inputs.

Transfers between levels of the Fair value Hierarchy
There were no transfers between levels during the year.

Valuation Techniques to Determine Level 2 Fair Values

In accordance with RICS guidance, current valuations of investment properties are subject to ‘material valuation uncertainty’ (as per VPS 3 and VPGA 10 of the RICS Red Book Global). Consequently, less certainty – and a higher degree of caution – should be attached to these figures than would normally be the case and these valuations will be kept under frequent review until the market stabilises. There remains a risk that, as the market emerges from the Covid-19 lockdown, there may be a repricing of property and other assets which currently cannot be foreseen. Action taken by the Government and the Bank of England may assist in maintaining market equilibrium, thus mitigating these risks.

Significant Observable Inputs Level 2

The fair value for investment properties is based on the market approach, using current market conditions and sale prices for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Note 16. Intangible Assets

The Council accounts for its software as intangible assets, where the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.232m was charged to revenue in 2019/20; this was either charged to ICT or then absorbed as an overhead across all the service headings in the Net Expenditure of Services or directly to services.

Capital Commitments

As at 31 March 2020 the Council was committed contractually to capital works of £0m, (31 March 2019; £0.137m).

The movement on intangible asset balances during the year is as follows:

2018/19 £000		2019/20 £000
	Balance at start of the year:	
2,892	Gross carrying amounts	3,133
(1,981)	Accumulated amortisation	(2,066)
911	**Net carrying amount at the start of the year**	**1,067**
399	Additions	141
(239)	Amortisation for the period	(232)
(159)	Disposals or retirements	(334)
155	Amortisation on Disposal	334
1,067	**Net carrying amount at the end of the year**	**976**
3,133	Gross carrying amounts	2,940
(2,066)	Accumulated amortisation	(1,964)
1,067	**Net carrying amount at end of the year**	**976**

Note 17. Financial Instruments

The financial assets and liabilities included in the Balance Sheet comprise the following categories of financial instruments.

Long-term 2018/19 £000	Long-term 2019/20 £000		Current 2018/19 £000	Current 2019/20 £000
		Investments and Cash & Cash Equivalents		
0	0	Short term investment	1,000	0
3,966	3,824	Financial assets (Fair Value through Profit and Loss)	0	0
3,966	**3,824**	**Total investments and Cash & Cash Equivalents**	**1,000**	**0**
		Debtors		
10,704	11,027	Loans and receivables	14,757	18,713
10,704	**11,027**	**Total Debtors**	**14,757**	**18,713**
14,670	**14,851**	**TOTAL FINANCIAL ASSETS**	**15,757**	**18,713**
		Borrowings		
(28,268)	(39,417)	Financial liabilities at amortised cost	(483)	(4,762)
(28,268)	**(39,417)**	**Total borrowings**	**(483)**	**(4,762)**
		Other Long-Term Liabilities		
(718)	(718)	Financial liabilities at fair value through Profit and Loss	0	0
(718)	**(718)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(7,514)	(5,022)
0	**0**	**Total creditors**	**(7,514)**	**(5,022)**
(28,986)	**(40,135)**	**TOTAL FINANCIAL LIABILITIES**	**(7,997)**	**(9,784)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost)			Financial Assets (Loans and Receivables	
2018/19 £000	**2019/20 £000**		**2018/19 £000**	**2019/20 £000**
550	551	Interest expenses	0	0
0	0	Interest income	(581)	(561)
550	**551**	**Net gain/(loss) for the year**	**(581)**	**(561)**

Fair value of assets and liabilities carried at amortised cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. The fair value is taken from the market price.

The fair values of instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loan Contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.
- CCLA Property Fund is in a form of shares which are actively traded and have a market price. The mid-price quoted as at the end of trading on 31st March was used in valuating this fund.

Financial instruments classified at amortised cost are carried in the Balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investment have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

IFRS 13 introduces a three level of hierarchy for the inputs into fair value calculations:

- Level 1- quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar Instruments
- Level 3- Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

There have not been any transferred between hierarchy levels during the financial year 2019/2020.

2018/19 Carrying amount £000	2018/19 Fair value £000		2019/20 Carrying amount £000	2019/20 Fair value £000
		Liabilities		
(36,983)	(41,647)	Financial liabilities	(49,919)	(55,946)
		Assets		
30,426	30,893	Loans and receivables	33,564	35,343

	Fair Value Level	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(28,268)	(33,634)	(39,417)	(46,143)
TOTAL		**(28,268)**	**(33,634)**	**(39,417)**	**(46,143)**
Liabilities for which fair value is not disclosed		(8,715)		(10,502)	
TOTAL FINANCIAL LIABILITIES		**(36,983)**	**(33,634)**	**(49,919)**	**(46,143)**
Recorded on the balance sheet as:					
Short term creditors		(7,514)	(7,514)	(5,022)	(5,022)
Short term borrowing		(483)	(499)	(4,762)	(4,781)
TOTAL SHORT TERM FINANCIAL LIABILITIES		**(7,997)**	**(8,013)**	**(9,784)**	**(9,803)**
Long term borrowing		(28,268)		(39,417)	
Other long term liabilities		(718)		(718)	
TOTAL LONG TERM FINANCIAL LIABILITIES		**(28,986)**		**(40,135)**	
TOTAL FINANCIAL LIABILITIES		**(36,983)**	**(41,647)**	**(49,919)**	**(55,946)**

	Fair Value Level	Balance Sheet 31.3.2019 £000	Fair Value 31.3.2019 £000	Balance Sheet 31.3.2020 £000	Fair Value 31.3.2020 £000
Financial assets held at fair value:					
Property Fund	1	3,966	3,966	3,824	3,824
Short term Investment	1	1,000	1,000	0	0
Financial assets held at amortised cost:					
Long term loans to local organisations	2	5,717	6,161	5,085	6,850
TOTAL		**10,683**	**11,127**	**8,909**	**10,674**
Assets for which fair value is not disclosed		19,743		24,655	
TOTAL FINANCIAL ASSETS		**30,426**		**33,564**	
Recorded on the balance sheet as:					
Short term debtors		14,757		18,713	
Short term investments		1,000		0	
TOTAL SHORT TERM FINANCIAL ASSETS		**15,757**		**18,713**	
Long term debtors		10,703		11,027	
Long term investments		3,966		3,824	
TOTAL LONG TERM FINANCIAL ASSETS		**14,669**		**14,851**	
TOTAL FINANCIAL ASSETS		**30,426**		**33,564**	

The Financial Liabilities are shown below:

Financial Instrument	2018/19 Carrying amount £000	2019/20 Carrying amount £000	Details (includes loan reference number)
Long Term			
PWLB (3.91%)	(5,000)	(5,000)	495152 3.91% 19/12/2008 to 19/12/2057
PWLB (3.90%)	(5,000)	(5,000)	495153 3.90% 19/12/2008 to 19/12/2058
PWLB (2.24%)	(563)	(407)	502463 2.24% 07/08/2013 to 07/08/2023
PWLB (3.28%)	(690)	(674)	504487 3.28% 25/11/2015 to 25/11/2046
PWLB (3.10%)	(918)	(896)	504598 3.10% 19/01/2016 to 19/01/2047
PWLB (2.91%)	(458)	(446)	504810 2.91% 21/03/2016 to 21/03/2047
PWLB (3.10%)	(371)	(363)	504922 3.10% 29/04/2016 to 29/04/2047
PWLB (2.92%)	(301)	(294)	504993 2.92% 02/06/2016 to 02/06/2047
PWLB (2.31%)	(598)	(572)	505255 2.31% 29/07/2016 to 29/07/2047
PWLB (2.18%)	(459)	(446)	505372 2.18% 23/09/2016 to 23/09/2047
PWLB (2.67%)	(818)	(798)	505649 2.67% 06/01/2017 to 06/01/2048
PWLB (2.78%)	(5,000)	(5,000)	506436 2.78% 02/10/2017 to 02/10/2037
PWLB (2.49%)	(7,292)	(7,292)	508696 2.49% 11/03/2019 to 11/03/2039
PWLB (1.48%)	(800)	(266)	508931 1.48% 25/03/2019 TO 25/03/2022
PWLB (2.18%)	0	(11,963)	
	(28,268)	**(39,417)**	
Short Term			
PWLB (2.24%)	(153)	(157)	502463
PWLB (3.28%)	(16)	(16)	504487
PWLB (3.10%)	(22)	(22)	504598
PWLB (2.91%)	(11)	(11)	504810
PWLB (3.10%)	(8)	(9)	504922
PWLB (2.92%)	(7)	(7)	504993
PWLB (2.31%)	(15)	(26)	502255
PWLB (2.18%)	(12)	(12)	505372
PWLB (2.67%)	(19)	(20)	505649
PWLB (1.48%)	0	(267)	
Accrued interest	(220)	(214)	
	(483)	**(761)**	
Creditors	**(7,514)**	**(5,022)**	
	(36,265)	**(45,200)**	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where interest rate payables is lower than the current rates available for similar loans as at the Balance Sheet date.

Note 18. Inventories

The main items in 'other inventories' are refuse sacks £0.007m, uniforms £0.013m, ICT hardware £0.057m, chemicals £0.002m (2018/19 refuse sacks £0.014m, uniforms £0.012m, ICT hardware £0.555m;).

	Leisure Centres		Diesel		Other		Total	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April	**36**	**20**	**34**	**25**	**40**	**582**	**110**	**627**
Purchases	0	0	542	567	872	56	1,414	623
Recognised as an expense in the year	0	0	(564)	(528)	(317)	0	(881)	(528)
Stock Adjustment	(16)	34	13	29	(13)	(560)	(16)	(497)
Balance at 31st March	**20**	**54**	**25**	**93**	**582**	**78**	**627**	**225**

Note 19. Debtors

Restated 2018/19 £000		2019/20 £000
2,477	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	2,230
3,989	Other Local Authorities	10,757
16,385	Other entities and individuals	16,017
7	NHS	5
(2,230)	Bad debt provision (Impairment of loans and receivables)	(1,996)
20,628		**27,013**

Note 20. Cash and Cash Equivalents

2018/19 £000		2019/20 £000
9	Cash held by the Council	9
6,619	Bank balances	13,822
6,628	**Cash and Cash Equivalents**	**13,831**
(4,182)	Less Bank overdraft	(29)
2,446	**Net Total Cash and Cash Equivalents**	**13,802**

Note 21. Assets held for sale

Assets held for sale are expected to be sold within twelve months, (at the Balance Sheet date). The asset is carried at carrying value or expected sale proceeds, whichever is lower.

2018/19 £000		2019/20 £000
0	**Balance at start of year**	**480**
	Transfers from Non-Current Assets	
480	Bridge Place Car Park	0
480	**Total Transfers**	**0**
480	**Balance at End of Year**	**480**

Note 22. Creditors

Restated 2018/19 £000		2019/20 £000
4,178	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	7,483
5,012	Other Local Authorities	5,204
339	NHS	342
58	Public Corporation	191
4,714	Other entities and individuals	5,693
14,301		**18,913**

Note 23. Useable Reserves

Movements in the Council's useable reserves are detailed in the Movement in Reserves Statement and a further breakdown is shown in Note 10, Movements in Earmarked Reserves.

Note 24. Unusable Reserves

Restated 2018/19 £000		2019/20 £000
(44,001)	Capital Adjustment Account	(37,450)
(30,480)	Revaluation Reserve	(28,456)
115	Financial Instruments Adjustment Account	329
156	Financial Instruments Revaluation Reserve	156
89,081	Pensions Reserve	65,132
499	Collection Fund Adjustment Account	1,684
15,370	**Total Unusable Reserves**	**1,395**

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 provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a 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 contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19		Capital Adjustment Account	2019/20	
£000	£000		£000	£000
	(42,892)	**Balance at 1 April**		(44,001)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,790		Charges for depreciation of non-current assets	3,962	
320		Impairment losses on property, plant & equipment	0	
239		Amortisation of intangible assets	232	
1,628		Revenue expenditure funded from capital under statue	911	
251		Losses on impairment of capital loans	0	
142		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,155	
(612)		Adjusting amounts written out of the Revaluation Reserve	(635)	
		Capital financing applied in the year:		
(1,244)		Use of the Capital Receipts Reserve to finance new capital expenditure	(567)	
(14)		Use of S106 earmarked reserves	(90)	
(788)		Application of Grants to finance capital expenditure	(211)	
(1,532)		Application of grants to capital financing from the capital grants unapplied account	(143)	
(2,048)		Statutory provision for the financing of capital investment charged against the general fund (MRP)	(2,300)	
295		Repayment of long term debtors	303	
(2,038)		Capital expenditure charged to General Fund	(2,028)	

		Investment Property Fair Values	
502		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	5,962	
	(1,109)	**Total Movements**	**6,551**
	(44,001)	**Balance at 31 March**	**(37,450)**

<u>Revaluation Reserve</u>

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. It is identified at individual asset level. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. If no surplus remains on a particular asset's account any further impairment must be charged to the surplus/deficit on the provision of services within the Comprehensive Income and Expenditure Statement;
- used in the provision of services and the 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 the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £000	Revaluation Reserve	2019/20 £000
(24,204)	**Balance at 1 April**	**(30,480)**
(8,370)	Upward revaluation of assets	(1,889)
1,482	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	1,556
(6,888)	**(Surplus) or deficit in the revaluation of non-current assets**	**(333)**
0	Other adjustments for assets disposed of or transferred – Written off to the Capital Adjustment Account	**1,722**
612	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	635
(30,480)	**Balance at 31 March**	**(28,456)**

Other adjustments for assets disposed of or transferred - written off to Capital Adjustments Account

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the differences between accounting for the fair value of loans given to individuals and organisations, and the actual income credited to the General Fund.

2018/19 £000	Financial Instruments Adjustment Account	2019/20 £000
213	**Balance at 1 April**	**115**
(98)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	214
115	**Balance at 31 March**	**329**

Financial Instruments Revaluation Reserve

These financial instruments are carried at their fair value. Movements in fair value are posted to a revaluation reserve (the Financial Instruments Revaluation Reserve) and taken to the Surplus or Deficit on the Revaluation of Financial Assets (FVOCI elected) line in the Comprehensive Income and Expenditure Statement.

2018/19 £000	Financial Instruments Revaluation Reserve	2019/20 £000
156	**Balance at 1 April**	**156**
0	**Upward revaluation of investments**	**0**
156	**Balance at 31 March**	**156**

Pensions 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 Comprehensive Income and Expenditure Statement 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 employer’s contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further information is found in Note 38 in respect of Defined Benefit Pension Scheme.

2018/19 £000	Pensions Reserve	2019/20 £000
72,331	**Balance at 1 April**	**89,081**
12,253	Actuarial (gains) or losses on pensions assets and liabilities	(29,231)
8,911	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,499
(4,414)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,529)
89,081	**Balance at 31 March**	**65,805**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account identifies the element of the Collection Fund balance that is due to this Council. It is included in the Comprehensive Income and Expenditure Statement as it relates to 2019/20 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

Restated 2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
(138)	**Balance at 1 April**	**268**
406	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	1,120
268	**Balance at 31 March**	**1,433**

Note 25. Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000	Interest Items	2019/20 £000
784	Interest Received	1,332
(600)	Interest Paid	(549)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2018/19 £000	Non-Cash Items	2019/20 £000
3,790	Depreciation	3,962
320	Impairment and downward valuations	0
239	Amortisation	232
(230)	Increase/ (decrease) in creditors	3,460
1,433	Increase/ (decrease) in debtors	(2,541)
(517)	Increase/ (decrease) in inventories	402
4,497	Movement in pension liability	4,971
142	Carrying amount of non-current assets and non- current assets held for sale, sold or derecognised	2,877
383	Other non-cash items charged to the net surplus or deficit on the provision of services	6,438
10,057		**19,801**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2018/19 £000	Investing and Financing Items	2019/20 £000
(949)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(263)
(9,798)	Any other items for which the cash effects are investing or financing cash flows	(12,393)
(10,747)		**(12,656)**

Note 26. Investing Activities

2018/19 £000		2019/20 £000
(16,585)	Purchase of property, plant and equipment, investment property and intangible assets	(18,440)
	Purchase of short-term and long -term investments	(34,000)
(10,843)	Other payments for investing activities	(1,256)
949	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	263
(40,075)	Purchases of short and long term investments	0
39,075	Proceeds from short-term and long-term investments	35,000
18,189	Other receipts from investing activities	13,120
(9,290)	**Net cash flows from investing activities**	**(5,313)**

Note 27. Financing Activities

2018/19 £000		2019/20 £000
0	Cash receipts of short and long term borrowing	15,963
0	Other Receipts from Financing Activities	0
8,091	Cash Receipts of short/long term borrowing	0
(257)	Cash Payments to Short/Long term borrowing	(535)
(1,238)	Other payments for financing activities	(3,367)
6,596	**Net cash flows from financing activities**	**12,061**

Note 28. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

2018/19 £000		2019/20 £000
329	Allowances	360
13	Expenses	6
342		**366**

Note 29. Senior Officer remuneration and staff over £50k 2019/20

The number of employees whose remuneration in the year was £50,000 or more is shown in the table below. It includes pay, redundancy payments and other employee benefits but not employer's pension contributions.

2018/19	£		£	2019/20
14	50,000	but less than	55,000	10
4	55,000	but less than	60,000	6
3	60,000	but less than	65,000	5
2	65,000	but less than	70,000	0
1	70,000	but less than	75,000	2
1	75,000	but less than	80,000	0
0	80,000	but less than	85,000	2
1	85,000	but less than	90,000	1
1	140,000	but less than	145,000	0
0	145,000	But less than	160,000	1
27				**27**

Included in the banding table above are those senior officers who are separately disclosed in the following remuneration of senior employees table.

Remuneration of Senior Employees

The remuneration of Senior Employees is shown in the table below.

2019/20 Post holder	Salary including allowanc es £	Election Fees £	Total remuneration Including allowances and fees £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director (1)	135,508	373	**135,881**	23,178	**159,059**
Corporate Director (Delivery)	85,751	0	**85,751**	14,762	**100,513**
Corporate Director (Services)	83,082	0	**83,082**	14,312	**97,394**
Chief Operating Officer (2)	33,302	0	**33,302**	5,761	**39,063**
Assistant Director (Transformation)	40,879	0	**40,879**	7,072	**47,951**

2018/19 Post holder	Salary including allowances £	Election Fees £	Total remuneration Including allowances and fees £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director (1)	134,225	10,641	**144,866**	22,949	**167,815**
Corporate Director (Delivery)	85,594	624	**86,218**	14,616	**100,834**
Corporate Director (Services)	79,333	570	**79,903**	13,725	**93,628**
Assistant Director (Transformation) (2)	73,447	270	**73,717**	12,706	**86,423**
Head of Resources (S151 Officer)	68,255	776	**69,031**	11,738	**80,769**

Key:

2019/20 Key:

Note 1: The election fees do not include fees for County, Parliamentary and Mayoral elections paid for by third parties
Note 2: The start date of the Chief Operating Officer and Assistant Director - Transformation were held by the same officer during this financial year.

2018/19 Key:

Note 1: The election fees do not include fees for County, Parliamentary and Mayoral elections paid for by third parties.
Note 2: The starting date of the Assistant Director - Transformation was 09/10/17.

Note 30. External Audit Related Costs

The sums disclosed below are those payable to EY for the annual audit of the statement of accounts, statutory inspections and certification of grant claims.

Restated* 2018/19 £000		2019/20 £000
77	External audit	41
24	Grant claim certification	12
101		**53**

*2018/19 audit fees were based on estimates, this has now been restated to reflect the actual fees

Note 31. Grant Income

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

2018/19 £000		2019/20 £000
	Credited to taxation and non-specific Grant income	
604	Revenue support grant	0
2,669	New Homes Bonus	2,038
2,452	Other Non Ringfenced Grants	2,696
788	Capital Grants	211
6,513	**Total**	**4,945**
	Credited to Services	
31,752	Rent allowances	28,624
522	Benefits administration	466
1,424	Improvement Grants	1,442
878	Other	1,332
34,576	**Total**	**31,864**

The Council has received some grants that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned. The balances at the year-end are as follows:

2018/19 £000	Grants Receipts in Advance	2019/20 £000
	Government grants	
52	Mortgage Rescue Scheme	52
61	Preventing Repossessions	61
113		**113**

The Council has received some grants that have no conditions attached; they have been recognised as income but are held in the Capital Receipts Unapplied Account pending their use to fund the relevant Capital Scheme. The balances at the year-end are as follows:

2018/19 £000	Capital Grants Unapplied Account	2019/20 £000
1	Building Foundations for Growth	1
23,341	Community Infrastructure Levy	33,938
23,342		**33,939**

Note 32. Related Parties

The Council must disclose in the accounts any material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently.
Central Government has significant influence over the general operations of the Council, it is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties e.g. Council tax bills.

Grants received from Government departments are set out in Note 31 on “Grant Income”.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 28. Some Council members are also:

- 1.elected members of other Councils, including the County Council, Parish and Town Councils.

- 2.nominated representatives of Huntingdonshire County Council on various organisations, including the Cambridgeshire and Peterborough Combined Authority.

The Council has a significant operational relationship with Cambridgeshire County Council. The Council is the administering authority for the Council's Pension Fund, and many of the Councils services work with County Council services on a day-to-day basis e.g. the Council is the statutory waste collection authority whereas the County Council is the statutory waste disposal authority but each of the Councils has to pay the other in respect of certain types of waste. For 2019/20, the Council has paid:

- £4.005m to Cambridgeshire County Council (£2.458m for services and £1.547m for pension payments), and

- received £0.87m from the County Council.

(£7.022m paid to and £1.064m received from the County Council; 2018/19)

The Council also has shared services arrangements with Cambridge City Council (CCC), South Cambridgeshire District Council (SCDC) and Cambridge and Peterborough Partnership for ICT, Building Control, Legal and CCTV services:

Payments to / (from)	CCC £000	SCDC £000	Cambridge & Peterborough Partnership £000
ICT Services	(4,128)	(2,444)	(80)
Legal Services	215		
Building Control	113		
CCTV	(267)		

The Home Improvement Agency is a shared service between the Council and Cambridge City Council and South Cambridge District Council; the agency is managed by Cambridge City Council. The Councils grant applicants contribution to the agency for 2019/20 was £0.319m (2018/19, £0.336m), which represents 15% (2018/19, 15%) of the Disabled Facilities Grant that the agency manages on behalf of the Council. The Council also incurred relocation costs where the agency received a contribution of £0.003m in 19/20.
Huntingdonshire District Council are responsible for billing and collecting Council Tax and National Non-domestic Rates on behalf of the following preceptors:

Cambridgeshire County Council
Cambridgeshire and Peterborough Police and Crime Commissioner
Cambridgeshire and Peterborough Fire Authority

Full details of the amounts payable to each of the organisations are shown in the Collection Fund on Page 95.

In respect of 2019/20:

- 47 members out of 55 members who served the Council returned a Related Party Transaction disclosure form.
- 16 officers out of 17 officers returned a Related Party Transaction disclosure form.

Following a comprehensive review of relevant statutory and voluntary disclosures and other 'ad-hoc" information sources, the following councillors and officers (as either an individual or family interest) have disclosed a related party; this is shown below:

Councillor	Organisation	Relationship with Organisation	Payments from Organisations 2019/20 £	Payments made by the Council 2019/20 £	Interest
Bywater, Chapman, Criswell, Fuller, Gardener, Giles, Giles, McGuire, Wells, Wilson, Sanderson	Cambridgeshire County Council	Councillor/Member	*	51,000	Grant for Edge Construction Skills Hub
Chapman	Friend of Paxton Pits	Friend	9,865.29	*	Friends of Paxton Pits Reserve:- £2875 FPP Payment, £180 & £1247.40 Mooring £4412.47 items for PP £949.80 Kingfisher nest boxes Paxton Pits Education Centre: £200.62 Repairs to Education centre at PP
Criswell & Officer Stopford	Hunts Forum of Voluntary Sector Organisations		*	63,109	£63108.48 = £31150 * 2 HDC Voluntary sector agreements £404.24 *2 Fire system Maintenance
Conboy	Pinpoint		*	1,875	Community Chest Grant 2019/20
Officers Stopford & Morley	HDCV Security Services Limited	Directors	0	0	
Officers Lancaster & Morley Cllrs Keane & Conboy	HDC Ventures Limited & HDC Ventures	Directors	0	0	
* There are transactions however they are not Related Party transactions					

With regard to these organisations, the Council has either procured goods or services or provided funding that has supported them in providing their core services. The items disclosed are in the normal course of business and are at arm’s length.

Note 33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure 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.

A net increase in the CFR reflects the Council's need to borrow to finance capital expenditure. The borrowing will be repaid from an annual revenue charge (Minimum Revenue Provision) which reflects the use of the assets over their useful lives.

2018/19 £000		2019/20 £000
46,647	**Opening Capital Financing Requirement**	**57,703**
	Capital Investment	
3,119	Property, Plant and Equipment	2,912
399	Intangible Assets	141
3,052	Revenue Expenditure Funded from Capital Under Statue	2,353
1,778	Repayable Advances	0
11,585	Investment Property	14,655
212	Assets Under Construction	816
0	Infrastructure Assets	25
20,145		**20,902**
(1,244)	Capital Receipts	(567)
(2,213)	Grants and Other Contributions	(1,653)
(412)	Use of Earmarked Reserves	0
(553)	Capital Grants Unapplied Reserve – Community Infrastructure Levy	(143)
(978)	Capital Grants Unapplied Reserve – Other	0
(1,627)	Use of Earmarked Reserves – Commercial Investment Strategy	(2,028)
(2,048)	Minimum Revenue Provision	(2,300)
(14)	S106 Reserve	(90)
(9,089)		**(6,781)**
57,703	**Closing Capital Finance Requirement**	**71,824**
11,056	**Increase/(Decrease) in Underlying Need to Borrow**	**14,121**

Note 34. Leases

<u>Council as Lessee</u>

Finance Leases

The Council has acquired some industrial units under finance leases. The assets acquired under these leases are carried as investment property in the Balance Sheet at the following amounts:

2018/19 £000		2019/20 £000
2,160	**Investment Properties**	**2,225**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remain outstanding. The minimum lease payments are made up of the following amounts:

2018/19 £000		2019/20 £000
	Finance lease liabilities (net present value of minimum lease payments)	
544	Non-current	545
2,833	Finance costs payable in future years	2,793
3,377	**Minimum lease payments**	**3,338**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease payments	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	0	1
Later than 5 years	3,182	3,143	544	544
	3,377	**3,338**	**544**	**545**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £0.081m contingent rents were payable by the Council (2018/19; £0.081m).

Operating Leases

The Council has a number of operating leases for land which vary from 3 years to 125 years. The operating lease payments made in the year, are in the following tables.

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

2018/19 £000		2019/20 £000
18	Not later than 1 year	16
21	Later than 1 year and not later than 5 years	6
39		**22**

The expenditure charged to the appropriate service in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2018/19 £000		2019/20 £000
28	Minimum lease payments	**13**

Service Concessions

The Council does not have any contracts that include service concessions.

Council as Lessor

Finance leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses

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

2018/19 £000		2019/20 £000
3,666	Not later than 1 year	4,829
8,752	Later than 1 year and not later than 5 years	10,209
23,969	Later than 5 years	26,382
36,387		**41,420**

The lease payments receivable do not include rents that are contingent on events taking place after the Balance Sheet date, such as adjustments following rent reviews.

Note 35. Impairment Losses

During 2019/20 the Council has recognised impairments to Property, Plant and Equipment of £ nil (2018/19; £ nil).

Note 36. Termination Benefits and Exit Packages

Compulsory Redundancy:
In respect of:

- 2019/20, the Council approved the compulsory redundancy of 5 employees
- 2018/19, the Council did not approve any compulsory redundancies this year

Other departures (Including Voluntary Redundancy):
In respect of:

- 2019/20, 5 voluntary redundancy were approved.
  In addition a further 3 employee left the council in 2019/20 with a Compromise agreement.

- 2018/19, 1 voluntary redundancy was approved.
  In addition a further 3 employees left the council in 2018/19 with a Compromise agreement.

All costs in respect of Termination benefits and exit packages have been debited to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 to less than £20,000	0	3	4	5	4	8	18	75
£20,000 to less than £40,000	0	1	0	3	0	4	0	102
£40,000 to less than £60,000	0	1	0	0	0	1	0	50
Greater than £60,000	0	0	0	0	0	0	0	0
	0	**5**	**4**	**8**	**4**	**13**	**18**	**227**

Note 37. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of Huntingdonshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The last valuation took place as at 31 March 2016.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.3% be applied for 2017/18, 2018/19 and 2019/20.
This should be used to provide for future service liabilities, together with a lump sum contribution to reduce the existing deficit related to past service.

The lump sums proposed were:

2017/18 £1.584m
2018/19 £1.584m
2019/20 £1.584m

As a consequence of the triennial valuation ,the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive

Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19 £000		2019/20 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
6,068	Current Service Cost	7,172
858	Past Service Cost	153
	Financing and Investment Income and Expenditure:	
5,856	Net interest expense	5,843
(3,871)	Expected Return on Scheme Assets	(3,669)
8,911	**Total post-employment benefit charged to the deficit on the provision of services**	**9,499**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
5,561	Return on plan assets (Excluding the amount included in the net interest expense)	(12,416)
0	Actuarial gains and losses arising on changes in demographic assumptions	5,257
(17,972)	Actuarial gains and losses arising on changes in financial assumptions	19,255
158	Other experience	16,153
(12,253)		28,229
(3,342)	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**37,748**
	Movement in Reserves Statement	
(8,911)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(9,499)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
4,235	Employer’s contributions payable to the scheme	4,348
179	Retirement benefits payable to pensioners*	180
(4,497)	**Total Movement in Reserves Statement**	**(4,971)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a loss of £35.84m, and to the 31 March 2019 is a loss of £64.08m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

31 March 2019 £000		31 March 2020 £000
215,939	**Opening balance as at 1 April**	**241,834**
6,068	Current Service Cost	7,172
5,856	Interest Cost	5,843
1,014	Contributions by scheme participants	1,040
	Remeasurement (gains) and losses:	
0	***Actuarial losses/ (gains) from changes in demographic assumptions***	(5,257)
17,972	Actuarial losses / (gains) from changes in financial assumptions	(19,252)
(158)	Other	(16,153)
858	Past service costs/ (gains)	153
(5,536)	Benefits paid	(5,789)
(179)	Estimated unfunded benefits paid *	(180)
241,834	**Closing balance at 31 March**	**209,410**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

31 March 2019 £000		31 March 2020 £000
143,608	**Opening fair value of scheme assets balance as at 1 April**	**152,753**
3,871	Interest Income	3,669
	Remeasurement gain/(loss)	
5,561	The return on plan assets (Excluding amount included in net interest expense)	(12,416)
4,235	Contributions by the employer	4,353
1,014	Contributions by employees into the scheme	1,040
179	Contributions for unfunded (Discretionary benefits)benefits*	180
(5,536)	Benefits paid	(5,789)
(179)	Unfunded (Discretionary benefits) benefits paid*	(180)
152,753	**Closing Balance at 31 March**	**143,605**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £(8.75)m (2018/19; £9.43m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000		2019/20 £000
(179,200)	(212,691)	(215,939)	(241,834)	Fair value of assets	(209,410)
111,237	140,530	143,608	152,753	**Deficit in the scheme**	143,605
(67,963)	**(72,161)**	**(72,331)**	**(89,081)**		**(65,805)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £(209.41m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £(65.80m).

However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £4.31m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2021. With regard to discretionary benefits, there were no such awards in 2019/20 (2018/19; Nil).

Impact of the 31 March 2016 Formal Actuarial Valuation

Formal actuarial valuations are carried out every three years where assets and liabilities are calculated on a detailed basis and these were concluded as at 31 March 2016.

Basis for Estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, 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 assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below:

2018/19	County Fund – Main Assumptions	2019/20
2.8%	Rate of increase in salaries	2.4%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate of discounting scheme liabilities	2.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.4 years	Men	22.0 years
24.4 years	Women	24.0 years
	Longevity at 65 for future pensioners	
24.0 years	Men	22.7 years
26.3 years	Women	25.5 years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2019 £000		31 March 2020 £000
1,892	Cash and cash equivalents	2,167
1,892		**2,167**
	Equity instruments by industry type:	
4,615	Consumer	0
2,749	Manufacturing	0
3,208	Energy and utilities	0
5,742	Financial institutions	0
924	Health and care	0
813	Information technology	0
18,051	**Sub-total equity**	**0**
	Debt Securities	
3,789	UK Government	7,434
3,789	**Sub-total debt securities**	**7,434**
	Private equity:	
11,566	All not in active markets	11,779
11,566	**Sub-total private equity**	**11,779**
	Real Estate	
0	UK Property	10,745
0	Overseas Property	2
0	**Sub-total Real Estate**	**10,747**
	Other investment funds:	
14,195	Bonds	9,739
6,358	Infrastructure	12,948
85,571	Equity	87,044
11,331	Other	0
117,455	**Sub-total other investment funds**	**109,731**
	Derivatives:	
0	**Other**	1,747
0	**Sub-total Derivatives**	**1,747**
152,753	**Total Assets**	**143,605**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %		2019/20 %
2.62	6.88	(3.83)	18.32	(0.36)	Differences between expected and actual return on assets	3.87
0.95	1.01	0.19	(0.01)	0.07	Experience gains/ losses on liabilities	7.71

Sensitivity analysis:

Increase in assumption 31 March 2019 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2020 £000
3-5%	Longevity (increase or decrease in 1 year)	3-5%
3,263	Rate of increase in salaries (increase or decrease by 0.5%)	1,804
21,288	Rate of increase in pensions (increase or decrease by 0.5%)	18,025
(24,884)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(19,987)

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 38. Provisions, Contingent Assets and Liabilities

	Short Term Provisions NDR Appeals Provision (2) £000	Insurance Claim (3) £000	Total £000
Balance at 1 April 2019	**1,553**	**13**	**1,566**
Movement during 2019/20	(218)	0	(218)
Balance at 31 March 2020	**1,335**	**13**	**1,348**
Amounts used in 2019/20	(362)	0	**(362)**
Amounts charged to services 2019/20	970	0	**970**
Balance at 31 March 2020	**1,943**	**13**	**1,956**

Provision

Short Term Provision
Where an obligating event is expected to occur within the next 12 months.

1. NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £4.857m; of which £1.943m would have to be met by the Council, and £2.329m by other Collection Fund participants.

2.Insurance Claim

Workplace related illness acquired by an employee who was working for a predecessor authority pre 1974. It has not been possible to identify the insurer who provided employees liability cover and consequently the Council will be responsible for the cost of the claim.

Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £3.653m (2018/19; £5.724m)

2018/19 Estimated value of contingent liability £000	Details of Contingent Liability	2019/20 Estimated value of contingent liability £000
	Environmental Related:	
3,150	The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for 21 years (originally 30 years).	3,000
3,150	**Total for Environmental Related**	**3,000**
	NHS Hospital Trust	
1,953	At this time a claim has been made against Councils by NHS Hospital Trusts in respect of mandatory NDR relief. During 2019/20 the High Court has rejected the case put forward by NHS Trusts for Mandatory Relief of 80%.	0
1,953	**Total for Customer Services Related**	**0**

	Corporate Related: **Municipal Mutual Insurance Liquidation**	
601	Some years ago, the Council was insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursued the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Scheme of Arrangement was enforced in January 2014. A £0.2m levy has been charged against the Council, which represents 25% of the total claims paid by MMI on behalf of the Council since 1993 (£0.851m) less a protected liability sum of £50k as agreed by the Financial Services Compensation Board. The Contingent Liability shown for 2019/20 is the balance of the total claims paid by MMI on behalf of the Council.	653
20	**Assets of Community Value** As at 31 March 2018, the Council has listed 35 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year, unless the limit is removed by the Government. This is shown as a nil amount for 2019/20 due to this not being material for the purposes of disclosure.	0
621	**Total for Corporate Related**	**653**
5,724	**Total Contingent Liabilities**	**3,653**

The above are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 39. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- 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 as a result of changes in measures such as interest rates.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

Credit risk

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

In relation to investments the Council has adopted CIPFA's Code of Practice on Treasury Management in the Public Services, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £33.41m (2018/19; £38.82m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council's deposits but there was no evidence as at 31 March 2020 that this was likely to occur and there are no investments that as at 31 March 2020 were with institutions that had failed.

In relation to the sums owed by the Council's customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The following analysis summarises the Council's potential maximum exposure to credit risk on receivables, based on historical experience of default and un-collectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2020 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2020 £000	Impairment allowance 31 March 2019 £000
Sundry debtors	6,594	3.18%	3.18%	1,638	1,854

The Council does not generally allow credit for customers. The past due, but not impaired amount can be analysed by age as follows:

31/03/19 £000		31/03/20 £000
405	Less than three months	(7)
84	Three to six months	113
91	Six months to one year	4,582
2,401	More than one year	1,906
2,981		**6,594**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally use the PWLB for short-term cash-flow deficits. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities of more than one year are shown below as at 31 March 2020.

Financial Year	£000s
2021/22	533
2023/24	564
2037/38	5,000
2038/39	7,292
2039/40	11,963
2046/47	2,066
2047/48	2,547
2057/58	5,000
2058/59	5,000
	39,965

31/03/19 £000		31/03/20 £000
483	Less than one year	4,762
28,268	More than one year	39,417
28,751		**44,179**

All trade and other payables are due to be paid in less than one year.

Market risk – interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

- Borrowings at fixed rates – the fair value of liabilities borrowings will fall.
- Investment at variable rates – the interest income credited to the Surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2019/20 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	191CR
Impact on the surplus on the Provision of Services	191CR
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings	7,053
(No impact on the Comprehensive Income and Expenditure Statement	

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

At 31 March 2020 the Council had £4 million invested in the Local Authorities Property Fund which is a professionally managed diversified property portfolio.

This investment is classified as financial asset elected for FVOCI, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

A loss of £141,710 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2019/20. This reflects general movements in the value of the shares, and the spread between the 'offer' price at which the shares were purchased and the 'bid' price that any purchaser would pay for them.
A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of £189,768 being recognised in the Other Comprehensive Income and Expenditure for 2019-20.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Note 40. Prior Period Adjustment

The Business Rates Retention Scheme started in 2013/14, together with an Enterprise Zone within Huntingdonshire. It was noted that the Enterprise Zone Reliefs were not being reflected within the collection fund correctly, along with the treatment of bad debt write off's. The adjustments for these accounting entries up to 2017/18 were not material, but have been adjusted within the b/fwd numbers within the Collection Fund and Balance Sheet.

Upon reviewing the 2018/19 Collection Fund for the Enterprise Zone Reliefs and Bad debt write offs, it was noted that an entry had been included within the Net Debit the wrong way round and has resulted in a material adjustment to the Collection Fund Statement for 2018/19 and the Primary Statements as identified below:

Impact on Primary Statements	DR £000	CR £000
CIES		
Taxation and non specific grant income	729	
Balance Sheet		
Short Term Debtors		1,022
Short Term Creditors	293	
MIRS		729
Earmarked Reserves		512
NNDR CFAA		
Movement on Surplus/Deficit	1,241	
Cashflow		
Net Surplus/(Deficit) on the provision of services	729	
Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 24)		729

Impact on Collection Fund Statement	DR £000	CR £000
Collection Fund Statement 2018/19		
Net Debit		2,497
MHCLG Precept Payment		363
Bad Debt Provision		268
Impact on Surplus/Deficit	3,128	
Collection Fund Statement 2017/18		
Net Debit	888	
MHCLG Precept payment	257	
Bad Debt Provision		599
Impact on Surplus/Deficit		546

These adjustments will also flow through the notes to the accounts and be marked as restated, where necessary.

Collection Fund

Restated Non-Domestic Rates 2018/19 £000	Restated Council Tax 2018/19 £000	TOTAL 2018/19 £000		Non-Domestic Rates 2019/20 £000	Council Tax 2019/20 £000	TOTAL 2019/20 £000
			INCOME			
0	106,570	106,570	Council Tax Payers	0	115,282	115,282
62,587	0	62,587	Business Rates	62,856	0	62,856
(996)	0	(996)	Transitional Relief	(379)	0	(379)
61,591	**106,570**	**168,161**	**Total Income**	**62,477**	**115,282**	**177,759**
			EXPENDITURE			
			Contributions Prior Year (Deficit)/Surplus			
1,956	0	1,956	Ministry for Housing, Communities & Local Government	794	0	794
1,565	(33)	1,532	Huntingdonshire District Council	635	354	989
352	(288)	64	Cambridgeshire County Council	143	3,189	3,332
0	(45)	(45)	Cambridgeshire Police & Crime Commissioner	0	507	507
39	(16)	23	Cambridgeshire Fire Authority	16	175	191
3,912	**(382)**	**3,530**		**1,588**	**4,225**	**5,813**
			Precepts Demands and Shares			
28,880	0	28,880	Ministry for Housing Communities & Local Government	28,796	0	28,796
23,104	8,450	31,554	Huntingdonshire District Council	23,037	8,779	31,816
0	5,947	5,947	Parish Councils	0	6,651	6,651
5,198	76,220	81,418	Cambridgeshire County Council	5,183	81,021	86,204
0	12,119	12,119	Cambridgeshire Police and Crime Commissioner	0	13,749	13,749
578	4,193	4,771	Cambridgeshire Fire Authority	576	4,368	4,944
57,760	**106,929**	**164,689**		**57,592**	**114,568**	**172,160**
			Charges to the Collection Fund			
202	599	801	Change in Provision for Bad and Doubtful Debts	25	369	394
(93)	0	(93)	Changes in Provision for Appeals	975	0	975
216	0	216	Cost of Collection	217	0	217
880	0	880	Renewable Energy Retentions	909	0	909
1,132	0	1,132	Enterprise Zone Retentions	638	0	638
2,337	**599**	**2,936**		**2,764**	**369**	**3,133**
64,009	**107,146**	**170,844**	**Total Expenditure**	**61,944**	**119,162**	**181,106**
			Movement in Fund Balance			
2,418	575	2993	(Surplus)/Deficit For Year	(533)	3,880	3,347
(1,136)	(68)	(1,204)	(Surplus)/Deficit Brought Forward 1 April	1,282	507	1,789
1,282	**507**	**1,789**	**(Surplus)/Deficit Carried Forward 31 March**	**749**	**4,387**	**5,136**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable / chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax base at 31 March 2020 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,524	(3,396)	6/9	5,419
B	20,073	(3,680)	7/9	12,750
C	17,810	(2,074)	8/9	13,988
D	11,723	(775)	9/9	10,948
E	8,392	124	11/9	10,408
F	3,744	(132)	13/9	5,217
G	1,759	(65)	15/9	2,823
H	143	(2)	18/9	282
Total	**75,168**	**(10,000)**		**61,835**

Council tax charge per band D property for 2019/20 £1,855.39
Council tax charge per band D property for 2018/19 £1,753.39

3. Non Domestic Rates (NDR)

The uniform Business Rate set by the Government for 2019/20 was 50.4p (2018/19 49.3p).

Total rateable value at 31 March 2020 £151.62m.
Total rateable value at 31 March 2019 £151.05m.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.485m for the Collection Fund of which £0.194m would be attributable to the General Fund.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of initial costs of assets.

Asset
An item having value to the Council in monetary terms.

Balance
Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District
A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure
Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Adjustment Account
The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts
Income received from selling non-current assets.

Carrying amount
The value of an asset or liability in the Balance Sheet.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund
A separate fund that records the income and expenditure relating to Council Tax and Non-domestic Rates.
Community Infrastructure Levy

An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors
Sums of money owed to the District Council but not received by the end of the financial year.

Depreciation
The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves
Money set aside for a specific purpose.

Exceptional Item
A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment
A reduction in the value of property, plant and equipment to below its carrying amount on the Balance Sheet.

Impairment of Debts
This recognises that the real value of debt is less than the book value.

Intangible Assets
A non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.
Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Local Enterprise Partnership
A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the "partnership" to fund schemes.

Minimum Revenue Provision
The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept
A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments
These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment
Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is "material" then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2015, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council's financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be "restated" as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revaluation Reserve
The account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal.

Revenue Expenditure
Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DRC	Depreciated replacement cost
EFA	Expenditure and Funding Analysis
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MHCLG	Ministry for Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors

RSG Revenue Support Grant

S106 Section 106

SOLACE Society of Local Authority Chief Executives

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