Dear Councillor

CORPORATE GOVERNANCE COMMITTEE - THURSDAY, 22 JULY 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.

3. EXTERNAL AUDIT PLAN 2020/21 (Pages 3 - 52)

To receive an update from the Chief Finance Officer on the External Audit Plan 2020/21**.**

5. DRAFT 2020/21 ANNUAL FINANCIAL REPORT AND APPROVAL FOR PUBLICATION OF THE ANNUAL GOVERNANCE STATEMENT (Pages 53 - 184)

To receive reports from the Chief Finance Officer and Internal Audit Manager on the Draft 2020/21 Annual Financial Report and Approval for Publication of the Annual Governance Statement.

Please note that there are two separate reports covering this agenda item. The second report appears at page 165 of this document pack.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	External Audit Plan 2020/21
Meeting/Date:	Corporate Governance Committee – 22nd July 2021
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Chief Finance Officer
Ward(s) affected:	All Wards

Executive Summary:

In preparation for the 2020/21 audit, Ernst and Young are required to inform those charged with governance, how they plan to undertake the audit. The plan is attached as **Appendix 1**, and outlines:

- Overview of the 2020/21 audit strategy.
- Audit risks.
- Value for Money Risks.
- Audit materiality.
- Scope of the audit.
- Audit team.
- Audit timeline.
- Independence.

Recommendation(s):

It is recommended that the Committee reviews the attached External Audit Plan 2020/21 **(Appendix 1)** and:

- Comments on the plan in general.
- With the expected number of external audit updates expected to be received by the Committee between now and the end of the audit, that the Committee comments on the level of comfort that the frequency of reporting will award (para 4.6).

1. PURPOSE

1.1 This is the fourth year that Ernst and Young will be the Council's auditor.

1.2 Ernst and Young are required to detail how the audit will be carried out and this is detailed in Ernst and Young's Audit Plan at **Appendix 1**. The audit plan includes;

- Overview of the 2020/21 audit strategy.
- Audit risks.
- Value for Money Risks.
- Audit materiality.
- Scope of the audit.
- Audit team.
- Audit timeline.
- Independence.

1.3 The audit plan has been designed to take into account several key inputs;

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

1.4 At the completion of the audit, Ernst and Young will issue an audit report giving their opinion on whether the Council's financial statements give a true and fair view of the Council's financial position as at the 31st March 2021.

2. BACKGROUND

2.1 In order for Ernst and Young to get to an opinion on whether the financial statements give a true and fair view, the scope of the work they will complete is:

- Review and report on the Council's financial statements.
- Review and report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.

2.2 The review will take place under the International Standards on Auditing (UK and Ireland).

3. RISKS

3.1 Ernst and Young have assessed the risks that the Council is subject to, through discussion with those charged with governance and council officers. The risks can be broken down into three categories:

- financial statement risks, including fraud and error
- value for money risks.

3.2 The financial statement risks that the Council is subject to include:

- Misstatements due to fraud or error
- Risk of fraud in revenue and expenditure recognition
- Risk of fraud or error relating to Covid-19 Government Grant Support schemes

- Valuation of Investment Property
- Valuation of Land and Buildings
- Pension Liability Valuation
- Business Rates Appeals Provision
- Going Concern

3.3 Value for Money risks

When assessing the value for money risks Ernst and Young will determine whether the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. Proper arrangements comprise:

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

3.4 When considering the arrangements Ernst and Young will also draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that their assessment is made against a framework that should already be in place.

4. AUDIT APPROACH 2020/21

4.1 The audit will cover the following:

- *Analytics* - Ernst and Young will use computer-based analytics tools to capture whole populations of financial data, the data will then be subject to testing to identify exceptions and anomalies. This type of analysis will give an increased likelihood of identifying errors over random sampling.

- *Internal Audit* - Internal Audit's work in documenting the financial systems and controls, will be used to update Ernst and Young's understanding, and to carry out walk-throughs of those systems.

- *Use of Specialists* - When auditing key judgements, reliance will be placed on specialists, who have expertise not possessed by the core audit team. The specialists will be used to, analyse source data, assess assumptions, and judge whether the findings are reflected in the accounts.

- *Mandatory Audit Procedures* - Ernst and Young will also address the risk of fraud and error, review significant disclosures and corporate controls, report on inconsistencies in the financial statements and address auditor independence.

4.2 In this way the auditors will be able to assess key controls, identify significant risks and carry out substantive testing on transactions and balances.

Materiality

4.3 The level of materiality is defined as the magnitude of an omission or misstatement that individually or in aggregate could be expected to influence users of the accounts.

4.4 The planning materiality level for 2020/21 has been set at £2.112m which represents 2% of the Council's prior year's gross expenditure on net cost of services, plus expenditure on parish council precepts, drainage board levies, interest payable and pension interest cost. Performance materiality set at £1.056m (50% of the planning materiality). In addition, misstatements greater than £105,000 will be reported. It is possible that the level of materiality may change during the audit.

4.5 At the end of the audit Ernst and Young will form an audit opinion by reference to all matters that could be significant to users of the accounts, including the effect of misstatements.

Timetable

4.6 The timetable below shows the key dates for the audit and also the dates at which Corporate Governance Committee (CGC) will receive reports and updates. The full details of the required communications to those charged with governance are shown in Appendix B of the Audit Plan.

Audit Phase	Timetable	CGC Update	Deliverables
High level planning	June 2021	22 July 2021	Audit Plan
Year-end audit	November/December 2021	January 2022	
Completion of audit	31st December 2021	January 2022	Report to those charged with governance Audit Report Audit Completion Certificate Report to NAO on WGA
Conclusion of reporting	31st December 2021	January 2022	Annual Audit Letter

Auditor Independence

4.7 The Ethical Standards require that Ernst and Young communicate with the Council on a timely basis on all significant matters that bear on their independence and objectivity. The aim of this is to ensure full and fair disclosure to those charged with governance.

4.8 Ernst and Young have highlighted within the Audit Plan threats to their independence and how they expect to mitigate these. The threats include:

- Self-interest threats – other on-going relationships.
- Self-review threats – fees payable to Ernst and Young are disclosed in the financial statements.
- Management threats – making decisions for the Council.
- Other threats – advocacy or intimidation.

5.0 AUDIT FEES

5.1 The total audit scale fee for 2020/21 is between £82,200 to £94,700.

5.2 It is possible the fee may change if additional work is required because misstatements lead to extra testing, any changes to fees will be discussed with the Council in advance. The fee levels are based on the following assumptions:

- Officers meeting agreed timetable of deliverables.
- Accounts and value for money conclusions are unqualified.
- Appropriate quality of documentation is provided by the Council, and.
- The Council has an effective control environment.

5.3 Fees for consideration of correspondence from public and formal objections will be an additional charge.

6. KEY IMPACTS/RISKS

6.1 The risks associated with the actions in this report are financial statement risks and value for money risks, these risks are addressed in section 3.

7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

7.1 The plan including key dates and milestones that are necessary in order to complete the audit successfully are included in Section 7 of Ernst and Young's plan at Appendix 1

8. LINK TO CORPORATE PLAN

8.1 Becoming a more efficient and effective Council

9. LEGAL IMPLICATIONS

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

10. RESOURCE IMPLICATIONS

10.1 The budget for External Audit Fees is £71,000, which excludes the proposed increase to the scale fee.

11. OTHER IMPLICATIONS

11.1 No other implications.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 It is recommended that the Committee reviews the attached External Audit Plan 2020/21 **(Appendix 1)** so members can consider the audit process to be followed.

13. LIST OF APPENDICES INCLUDED

13.1 **Appendix 1 –** Huntingdonshire District Council Audit Plan 2020/21

BACKGROUND PAPERS

Ernst and Young Audit Plan

CONTACT OFFICERS

Claire Edwards, Chief Finance Officer
01480 388822

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Huntingdonshire District Council

Outline Audit Plan

Year ended 31 March 2021

24 May 2021

Building a better working world

Huntingdonshire District Council
Corporate Governance Committee
Pathfinder House
St Mary's street
Huntingdon
PE29 3TN

24 May 2021

Dear Corporate Governance Committee Member

2020/21 Outline Audit Plan

We are pleased to attach our outline Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This outline Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Corporate Governance Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Corporate Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 9 June 2021 as well as understand whether there are other matters which you consider may influence our audit.

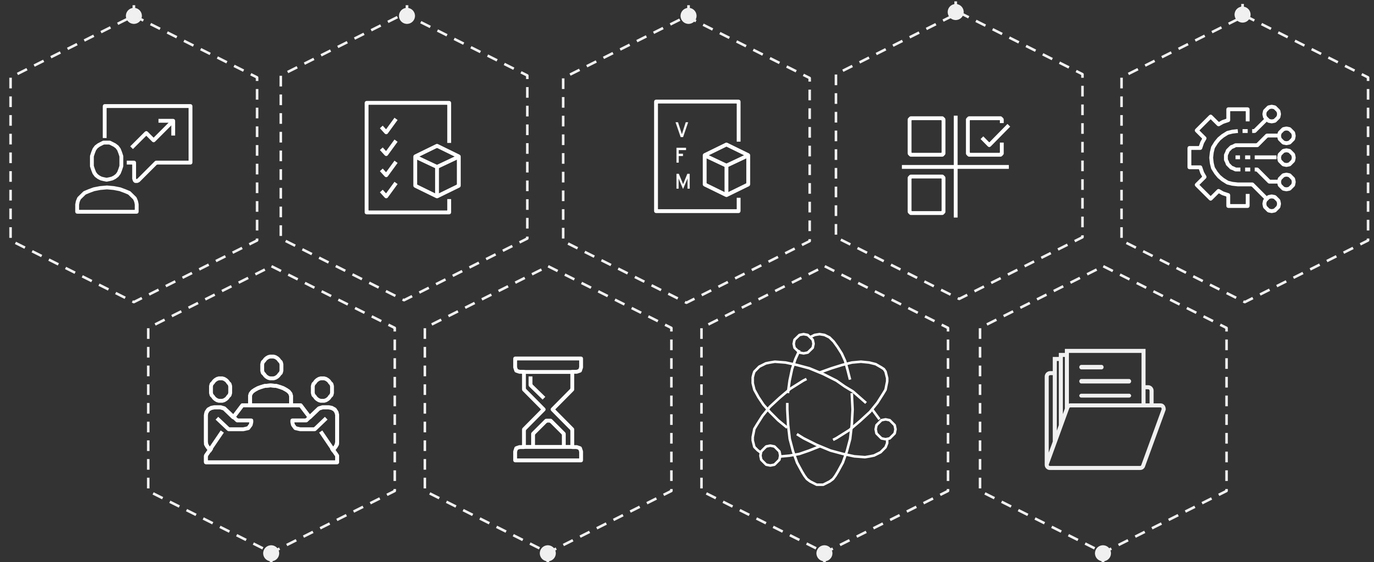
Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



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

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Corporate Governance Committee and management of Huntingdonshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance Committee and management of Huntingdonshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance Committee and management of Huntingdonshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being; incorrect classification of revenue spend as capital expenditure and manipulation of revenue expenditure funded through capital under statute (REFCUS).
Covid-19 related grant income	Fraud Risk	New risk and area of focus	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.
Property, Plant and Equipment – Valuation of Land and Buildings and Investment Properties	Significant Risk	Increase in risk and area of focus	In concluding the 2019/20 audit, we made a recommendation for the Council to improve its arrangements for obtaining appropriate valuations of its main assets. The fair value of land and buildings and investment properties represent significant balances in the Council's accounts and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. For 2020/21 management is seeking a change in the external valuer used in the valuation of its assets which increases the risk of significant fluctuations in valuations.

Overview of our 2020/21 audit strategy

Audit risks and areas of focus			
Risk / area of focus	**Risk identified**	**Change from PY**	**Details**
Pension Liability Valuation	Inherent Risk	No change in risk or focus	The Council's Pension Fund Liability is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an Actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Omission or Understatement of NDR Appeals Provisions	Inherent Risk	No change in risk or focus	The NDR appeals provision includes, not only claims up to 31 March 2021, but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate. Due to the level of estimation, size of the balance and the complexity of this provision we consider this to be a higher inherent risk.
Going Concern Disclosure	Area of Focus	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Collection Fund Accounting	Inherent Risk	New risk and area of focus	In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer. The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.
Recoverability of Receivables (Bad Debt Provision)	Inherent Risk	New risk and area of focus	There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality

Planning materiality
£2.112m

We have set materiality at £2.112 million, which represents 2% of the prior years gross expenditure on provision of services.

Performance materiality
£1.056m

Performance materiality has been set at £1.056 million, which represents 50% of materiality. This is at the lower end of our range and reflects the level of errors we identified in the prior year.

Audit differences
£0.105m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.105 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Corporate Governance Committee.

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

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

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

Overview of our 2020/21 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Huntingdonshire District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and

- Reporting by exception and providing a commentary on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

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

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

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

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

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Taking the above into account, and as articulated in this Outline Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response. The fees we have included in Section 08 reflect the work we need to undertake to address the risks we have currently identified. We will continuously review and update as necessary our understanding of your risks and discuss with management and the Corporate Governance Committee any significant changes.

Overview of our 2021 audit strategy

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
    - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
    - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
    - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue within 3 months of issuing the audit opinion on the accounts.

Timeline

MHCLG have amended the regulations to require the Council to publish it's draft accounts by 1 August 2021. It has also set the target date for the Council to publish its final approved accounts by 30 September 2021. We have consistently stated that the end of September is an unrealistic target date given the pressure on both finance teams and auditors to prepare and audit the accounts. As a result, the provision timetable in Section 07, which we have agreed with the Finance Manager, outlines a plan to conclude the Council's audit by the end of December 2021.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 08, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.

02 Audit risks

Our response to significant risks

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

Misstatements due to fraud or error*

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

In addition, we have identified those areas of the where the risk of manipulation could specifically manifest itself.

This area is set out on the following page.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

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

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

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

Our response to significant risks (continued)

Misstatements due to fraud or error – Incorrect capitalisation of revenue expenditure*

Financial statement impact

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of 'Cost of Services' reported in the Comprehensive Income and Expenditure Statement.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

What will we do?

In order to address this risk we will carry out a range of procedures including:

- For significant capital additions, we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16;
- We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold;
- Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure the meet the accounting definition of REFCUS expenditure; and
- Journal testing – we will use our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

Our response to significant risks (continued)

Misstatements due to fraud or error - Accounting for Covid-19 related Government Grants*

Financial statement impact

We have identified a risk of Government grant income misstatement that could affect the Comprehensive Income and Expenditure Statement.

We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.

What is the risk?

The Council has received a significant level of additional government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing Government Grant Income to ensure that they have been correctly classified as specific or non-specific in nature / Principal or Agent basis; and
- Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
- Analytical procedures over amounts claimed back through the Lost Sales, Fees, and Charges Scheme.

We will encourage the Finance Team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

Our response to significant risks (continued)

Significant Risk – Valuation of land and buildings and Investment Properties

Financial statement impact

The PPE represents significant balances in the Council's accounts and are subject to fluctuation.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the statement of financial position.

What is the risk?

In the prior year we reported issues with the adequacy of the Council's arrangements for obtaining valuations of its land and buildings and investment properties. These assets represent a significant balance in the Council's financial statements (£72.21m at 31 March 2020) and are subject to valuation changes, impairment reviews and depreciation charges.

For 2020/21 the Council is looking at changing the external expert valuer it engages to value its assets. This increases the risk of material misstatement in relation to land and buildings and investment property valuations.
The valuer will apply a number of complex assumptions to these assets as well as making an assessment to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- For certain land and buildings and investment properties that are subject to volatility in relevant market information, we will engage our own experts, EY Real Estates, to challenge management's judgements and assumptions;
- Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Pension liability valuation – Inherent Risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ▸ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council; ▸ Assess the work of the Pension Fund actuary (Hymans) 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 considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
NDR Appeals Provision The business rates appeals provision includes, not only claims up to 31 March 2020, but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate. Due to the level of estimation, size of the balance and the complexity of this provision we have included it as an area of risk for this year.	In order to address this risk we will carry out a range of procedures including: ▸ Reviewing the Council'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.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Recoverability of Receivables (Bad Debt Provision) – Inherent Risk There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.	In order to address this risk we will carry out a range of procedures including: ▸ Obtaining an understanding of Bad Debt Provision policies applied by the Council including any updates to the policies throughout the fiscal period; ▸ Obtain and review the aged debt report for increases in non-current outstanding balances and sample test the report to underlying source documentation to ensure the accuracy of aging; and ▸ Identify significant overdue balances and assess the appropriateness of the bad debt provision recorded by The Council to address these balances.
Collection Fund Accounting – Inherent Risk In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer. The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.	In order to address this risk we will carry out a range of procedures including: ▸ Perform analytic procedures over NDR and Council Tax factoring in new assumptions ▸ Review impact of prior period adjustments on current year balances ▸ Review of Collection Fund Statement and related disclosures for appropriateness in line with the Code

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Going Concern disclosures There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure it's going concern assessment is thorough and appropriately comprehensive. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.	We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern; ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▸ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties; We will discuss the detailed implications of the revised Auditing Standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard will affect the nature and extent of information that we request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We will place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We will provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradicts them.
- We will make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's as a result of the above procedures.

03 Value for Money Risks

Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

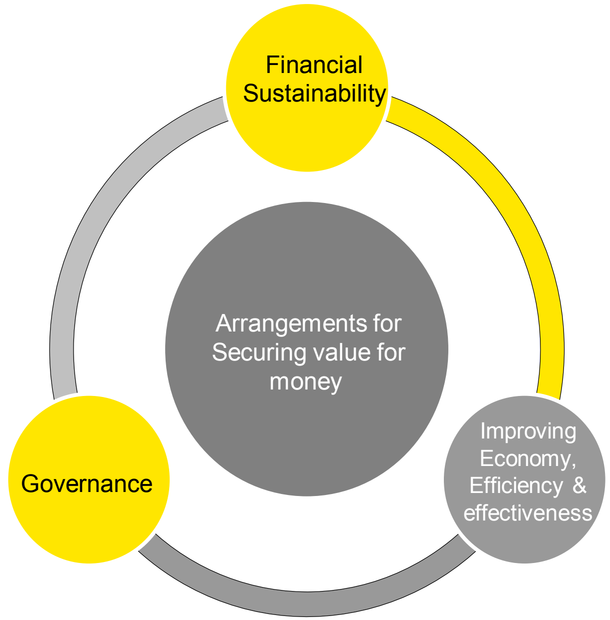
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Corporate Governance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning.

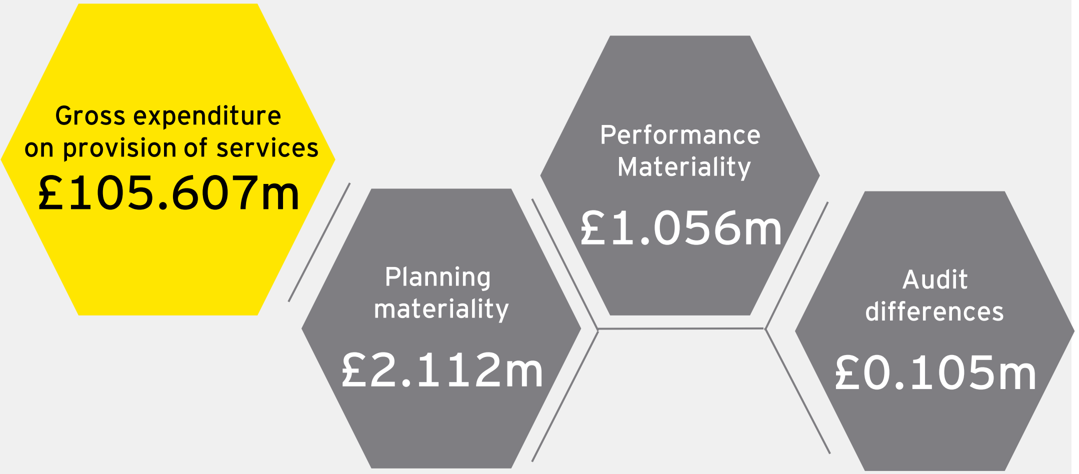
We will update a future Corporate Governance Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.

04 Audit materiality

Audit materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £2.112 million. This represents 2% of the prior year gross expenditure on provision of services of Huntingdonshire District Council. It will be reassessed throughout the audit process. We have chosen this percentage on the basis of there being no shareholders; no traded debt or covenants; limited changes in the business environment; good viability of the business and limited external financing.



We request that the Corporate Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance Materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.056 million which represents 50% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have used the lower end of the range which is a decrease on the percentage used last year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

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

Specific materiality – We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these disclosures.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

Internal audit:

As in prior years we will review Internal Audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

06 Audit team

Audit team

The engagement team is currently led by Suresh Patel for his third year as Associate Partner on the audit. He will however be replaced by Mark Hodgson in early August 2021. Mark has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA). Mark will be supported by Andrew Paylor, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Finance Manager.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings & Investment Properties	Council's valuer (TBC) EY Real Estates Team (in relation to investment property and otherwise where required)
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Provisional audit timeline

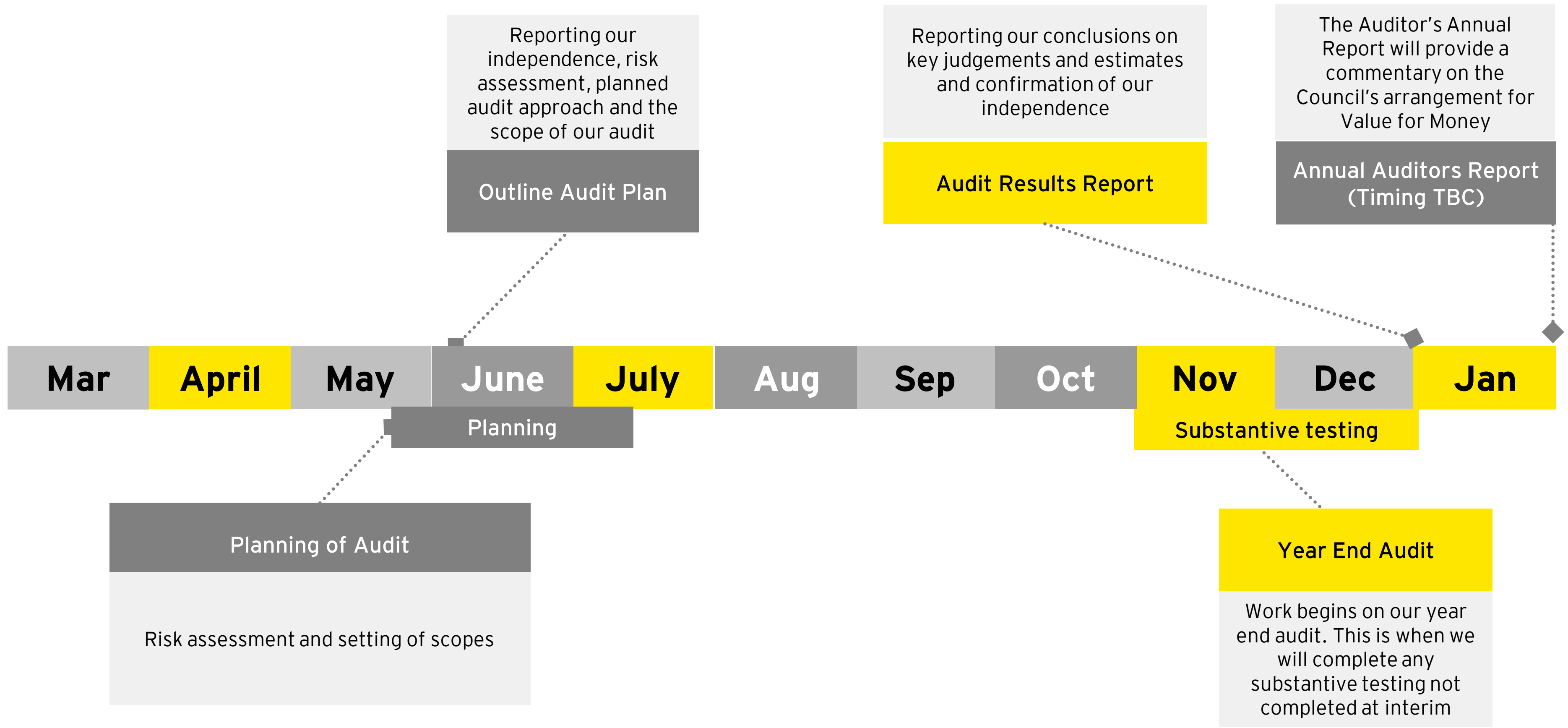
Provisional audit timeline

Timetable of communication and deliverables

Provisional timeline

Below is a provisional timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

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



08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Suresh Patel and Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved. None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 0%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

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: EY UK Transparency Report 2020 | EY UK

09 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21 (£)	Final fee 2019/20 (£)
Scale Fee – Code work	40,992	40,992
Additional work:		
• Impact of 50% performance materiality	10,000-15,000	-
• Involvement of EY Real Estates	4,000-7,500	4,900
• Going concern disclosure	1,000-3,000	2,850
• Auditing the PPAs	-	3,330
• EY Consultations on auditor report	1,000-3,000	2,750
• Additional audit overruns	-	16,250
• VFM conclusion qualification	-	2,850
• New risks for 2020/21	TBC	-
Total current scale and additional fees		**73,922**
Proposed increase to the scale fee (1)	25,208	25,208
Housing Benefit agreed upon procedures (2)	n/a	TBC
Total other non-audit services		**TBC**
Total fees		**TBC**

The planned fees presented are based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment;
- EY internal consultation on the audit report in line with 2019/20.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

Note 1 – We remain in dialogue with PSAA about our proposed increase to the scale fee.
Note 2 – We have yet to be engaged to undertake the housing benefits work for 2020/21.

Appendix B

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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan – June 2021
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 - December 2021

Appendix B

Required communications with the Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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	Outline Audit Plan – June 2021 Audit Results Report – December 2021
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - December 2021
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the 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	Audit Results Report - December 2021
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - December 2021

Required communications with the Corporate Governance Committee (continued)

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	Audit Results Report - December 2021
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report - December 2021
Fraud	▸ Enquiries of the Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report - December 2021
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - December 2021

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - December 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - December 2021
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - December 2021
Fee Reporting	▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Outline Audit Plan - June 2021 Audit Results Report - December 2021 Annual Auditor's Report - December 2021

Additional audit information

Other required procedures during the course of the audit

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

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

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Purpose and evaluation of materiality

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

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

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

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Draft 2020/21 the Annual Financial Report
Meeting/Date:	Corporate Governance Committee – 22 July 2020
Executive Portfolio:	Strategic Resources: Councillor J A Gray (Deputy Executive Leader)
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 Unaudited Annual Financial Report (AFR, **Appendix A**). Given the current situation with the Covid 19 pandemic the normal statutory deadline has been moved to 30th September rather than 31st July. Therefore, draft statements need to be approved by 1st August or earlier.

In respect of the Unaudited AFR, members should note:

- Achieved underspend of £0.064m against a budget of £17.687m
- Delivered Business Support Grants of £45.111m
- Continued to maintain General Fund Reserves at £2.175m
- Delivery of Business Rates growth within the Enterprise Zone of £0.863m
- Increased pension deficit to £95.273 due to the impact of not only the tri-annual valuation, but also the impact of Covid-19 on the economic and financial landscape.

Due to covid-19 and delays with the 2019/20 Statement of Accounts, this has impacted our ability to complete a valuation for our Land & Buildings and Investment Properties in the time period required to complete our draft accounts. A new valuer for 2020/21 has been appointed and instructed to carry out our valuations and will be completed by October to ensure that they are available for audit purposes and any movement in the value of the assets will be reflected within the Audited Annual Financial Report.

Due to the change in statutory deadline Ernst and Young (EY), our auditors will not present an audit opinion to this committee for approval by 30th September 2021, this is due to the impact of Covid-19 on resources and capacity within both Local Government and EY.

However, the Council has prepared a draft Unaudited AFR and a Notice of Publication (**Appendix B**) for publication.

Recommendations:

1. Consider and approve the Unaudited Annual Financial Report (**Appendix A**).
2. Consider and approve the Notice of Publication (**Appendix B**)

1. PURPOSE OF THE REPORT

1.1 To complete the processes for finalising and publishing the Council's Annual Finance Report (AFR) for 2020/21.

2. BACKGROUND

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

3. ANNUAL FINANCE REPORT

3.1 The Financial year 2020/21 has been unlike any other year. The Council had to adapt to evolving events as the country moved in and out of lockdown and various tiered restrictions. It has required flexibility and adaptability to respond to an ever changing national and local scene.

3.2 The effects of the covid-19 pandemic have been felt to varying degrees by every household, every business, every school, every public sector and charitable organisation. Many people have suffered the devastating effects of illness, others have lost income or their livelihoods. Charities have lost the opportunity to raise funds and are therefore unable to continue their work to support the most needy in our society.

3.3 During 2020/21, Huntingdonshire district council has risen to the challenge and taken forward its leadership role and supported Huntingdonshire and its residence by ensure that it continued to deliver a high level of service. The council had distributed £45m in grant funding to businesses throughout the borough by 31 march 2021, administered over £22m in covid related business rates relief and £0.65m of hardship relief to council tax reduction recipients.

3.4 The council has worked successfully with the voluntary sector and provided help and support to those residents who had to shield. It introduced a wide range of initiatives to keep citizens safe as well as coordinating delivery of food and access to prescription drugs for the vulnerable.

3.5 The financial position reported in the AFR shows a positive position with increased reserves and improved financial resilience, against a backdrop of a changing Government funding position.

3.6 Key highlights from this year's financial performance are as follows:

- Achieved underspend of £0.064m against a budget of £17.687m
- Delivered Business Support Grants of £45.111m
- Continued to maintain General Fund Reserves at £2.175m
- Delivery of Business Rates growth within the Enterprise Zone of £0.863m

4. KEY IMPACTS

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

5. LINK TO THE CORPORATE PLAN

5.1 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.

6. CONSULTATION

6.1 In line with the Account and Audit regulations the AFR was available for inspection from 2nd August to 14th September 2021.

7. LEGAL IMPLICATIONS

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

8. RESOURCE IMPLICATIONS

8.1 There is a specific budget for the Audit Fees.

9. REASONS FOR THE RECOMMENDED DECISIONS

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

10. LIST OF APPENDICES INCLUDED

Annex A – 2019/20 Annual Financial Report (Draft)
Annex B – Notice of Publication of Statement of Accounts

BACKGROUND PAPERS

CONTACT OFFICER

Claire Edwards, Chief Finance Officer
Tel No: 01480 388822

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Huntingdonshire District Council

Draft Annual Financial Report

For the year ended 31st March 2021

Contents

Supplementary Financial Statements

Narrative Report

By the Chief Finance Officer

As the Council's Responsible Financial Officer, I am pleased to present the Council's 2020/21 Annual Financial Report which outlines the Council's financial performance for the year ended 31 March 2021.

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 2020/21.
- The Financial Statements.
- Technical information.

Commentary and Review of 2020/21

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 178,985 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 80.7% of residents aged 16-64 classed as economically active and an 77.2% 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.

The effects of the COVID-19 pandemic have been felt to varying degrees by every household, every business, every school, every public sector and charitable organisation. Many people have suffered the devastating effects of illness, others have lost income or their livelihoods. Charities have lost the opportunity to raise funds and are therefore unable to continue their work to support the most needy in our society.

During 2020/21, Huntingdonshire District Council has risen to the challenge and taken forward its leadership role and supported Huntingdonshire and its residence by ensure that it continued to deliver a high level of service. The Council had distributed £45m in grant funding to businesses throughout the Borough by 31 March 2021, administered over £22m in COVID related Business Rates relief and £0.65m of hardship relief to Council Tax Reduction recipients.

The Council has worked successfully with the voluntary sector and provided help and support to those residents who had to shield. It introduced a wide range of initiatives to keep citizens safe as well as coordinating delivery of food and access to prescription drugs for the vulnerable.

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).

Huntingdonshire District Council and the Impact of COVID-19

The financial year 2020/21 has been unlike any other year. The Council had to adapt to evolving events as the country moved in and out of lockdown and various tiered restrictions. It required flexibility and adaptability to respond to an ever changing national and local scene.

For the first part of the year, following on from procedures initiated in March 2020, enhanced management arrangements were put in place with a structure based on Gold (strategic), Silver (tactical) and Bronze (operational) groups including key system partners, to facilitate rapid responses to the evolving position, support appropriate decision making (including the use of emergency powers as allowed for in the Councils Constitution), clear communication and inter-agency cooperation. Although this structure remains in place, from December 2020, the frequency of meeting reduced and some of the individual groups were amalgamated as the intensity of the response lessened and practices had become well established.

Utilising additional un-ringfenced funding made available to the Council by Government, the provision of essentials to vulnerable residence with food parcels and assistance in getting access to the provision of medical care.

COVID has had a widespread impact on the workforce of the Council and the way in which the Council delivered services. The Council utilised technology to allow office based staff to work seamlessly from home to minimise disruption to services. For those officers who could not work from home, such as those engaged in refuse collection, working practices were adapted to ensure their safety, health and wellbeing. Some Council facilities closed and then reopened and closed again as various restrictions were eased and then re-introduced. Where appropriate, staff were redeployed to services such as the Community Support Hubs. As the third lockdown is easing, the Council is now looking at opening up services and phasing a return to more normal operating arrangements.

However, it is clear that there will not be a return to a traditional office based service provision. The new opportunities provided by technology show how home working can be successful and a blended approach to home/office working is likely to be introduced as post pandemic.

Increased customer engagement using technology has also proved successful, and whilst there will continue to be some face to face or telephone contact, much more can be done online and this will be the way forward for Council service delivery, having regard to equality and fair access to services for all.

COVID led to pressures in relation to the collection of both Council Tax and Business Rates as residents livelihoods were affected and businesses struggled under lockdown arrangements. The Council relaxed compliance measures in relation to Council Tax and Business Rates collection and allowed Council Taxpayers and businesses to defer payments for the first three months of 2020/21 with revised payment plans over July to March 2021. It is clear that Collection Fund (Council Tax and Business Rates) debt has increased and the limited opportunities to pursue recovery at the Magistrates Court proved problematic. The Council received £0.827m from the Government in the form of a Hardship Fund to provide £150 Council Tax relief for Council Taxpayers of working age in receipt of Council Tax Reduction.

Other income streams, such as leisure, car parking, and commercial rental were all disrupted. The support provided by the Governments Sales, Fees and Charges grant compensation scheme was essential, but did not cover any losses for commercial rental income. The on-going challenge will be for the Council to restore the lost or deferred income streams to avoid placing an additional burden on the people and businesses of Huntingdonshire whilst at the same time attempting to manage its finances effectively. The success in restoring income streams will not become evident for some time.

During 2020/21, the Council had to manage a significant amount of grant received from Central Government. This meant that the Council did not face any cash flow challenges but at times this stretched the treasury management function in managing all of the cash movements.

In order to support local businesses, the Council administered business rate reliefs and the range of business grants that the Government announced. This required a speedy mobilisation right at the start of the pandemic in order to apply reliefs and pay eligible businesses their grants as quickly as possible. More detail is provided on grants managed by the Council later in this Narrative Statement.

Risks

Following a review of the strategic risks faced by the Council, the 2020/21 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.

- **Partner agency operational pressures**

  In Huntingdonshire, whilst the partners work well together there continues to be the challenge of controlling additional demand and the corresponding budget pressures that it brings. Evidence suggests that as parts of the public sector reduce their input into the communities, it creates/transfers demand into other agencies, brining financial pressures from one sector impacting on the capacity and financial resources in another.

- **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

The Council set a gross budget for the year of £72.303m, following fees and charges income and reserve movements set a net budget £17.688m (2019/20 £16.644m), a net increase of £1.044m (6.27%). After allowing for the following non-ring fenced government grants:

- Business Rates Retention scheme (NDR) of £6.674m (2019/20; £6.907m),
- New Homes Bonus of £2.212m (2019/20; £2.038m),
- Section 31 Grant of £1.579m (2019/20; £1.729m)
- Collection Fund deficit of £0.907m (2019/20; £0.989m surplus)

and a contribution to revenue reserves of £0.956m (2019/20; £3.285m). This left the Council to raise £9.168m (2019/20; £8.778m) from Council Tax which equated to a Council Tax of £145.86 (2019/20; £142.16) for a Band D equivalent property. This represented a 2.60% 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 17th June Cabinet report.

Summary of progress of key actions for 2020/21:

Status of Key Actions	Number	Percentage
Green (on track)	27	71%
Amber (within acceptable variance)	9	24%
Red (behind schedule)	2	5%
Awaiting progress update	0	0%
Not applicable	1	

Summary of progress of Corporate Indicators for 2020/21:

Corporate Indicator results	Number	Percentage
Green (achieved)	21	60%
Amber (within acceptable variance)	12	34%
Red (below acceptable variance)	2	6%
Awaiting progress update	0	0%
Not applicable (annual/data unavailable)	2	

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

- Provided financial assistance to people on low income during the year directly impacted by covid 19, through the Council Tax Hardship Fund.
- Strategic and practical work has helped to reduce homelessness with action taken to house rough sleepers as part of the 'Everyone in' pandemic response and efforts with a range of partners continuing to identify early intervention opportunities to prevent homelessness.
- Six community-based job clubs being launched across the district.
- Working in partnership with voluntary and community organisations to deliver a local, community led response to the impact of covid-19.

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

- Adoption of a new waste minimisation strategy and a waster minimisation action plan in December 2020.
- Installation of electric vehicle charging points across car parks in St Neots, St Ives and Huntingdon.
- Continued working with partners to delivery economic growth within the region in relation to transport development and prospects for growth within St Ives, Huntingdon and Ramsey
- Secured funding from MHCLG and Combined Authority to delivery the Future High Street Fund in St Neots of £3.7m and £3.2m respectively.
- Despite the effect of covid 19 on the construction industry during the initial lockdown, 274 affordable houses were still delivered during the year.

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

- Developing customer forums to better understand the needs of our customs and residents due to be delivered in 21/22.

- Continued development on understanding the key drivers within the organisation and developing unit cost data to help focus on the effectiveness of service deliver.

- Continued development into how we offer online and out of hours access to services via the customer portal and other solutions.

Revenue Spending and Sources of Income

The Table below sets out the Council's Budget for 2020/21 and how it performed and details the main sources of income the Council receives to pay for its services.

2019/20 Outturn		2020/21 Budget £000	Outturn £000	Variation £000	%
	Service				
4,484	Corporate Services	5,696	5,320	(376)	-7%
3,698	Chief Operating Officer	4,417	4,059	(358)	-8%
19	Programme Delivery	70	58	(12)	-
822	Planning Policy	842	709	(133)	-16%
139	Housing Strategy	177	214	37	21%
808	Corporate Leadership Team	603	699	96	16%
380	Transformation	408	130	(278)	-68%
4,365	Operations	3,550	4,242	692	19%
267	Leisure & Health	(215)	326	541	-252%
2,206	3CICT Shared Service	2,139	2,007	(132)	-6%
17,188	**Net Revenue Expenditure**	**17,687**	**17,764**	**77**	**0%**
3,537	Contribution to Reserves	957	259	(698)	-73%
(283)	Contribution from Earmarked Reserves	0	621	621	0%
20,442	**Budget Requirement**	**18,644**	**18,644**	**0**	**0%**
	Financing				
(6,821)	NDR and Council Tax Surplus/Deficit	(7,346)	(8,836)	10,302	-140%
(4,734)	Government Grant (Non-Specific)	(2,130)	(2,546)	(12,208)	573%
(109)	Contribution to/(from) Reserves	0	1,906	1,906	
8,778	**Council Tax For Huntingdonshire DC**	**9,168**	**9,168**	**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	Planned investment in commercial properties and the impact the Covid-19 pandemic had on recovering rent due and letting vacant units led to a shortfall of £0.25m on this service. The pandemic also impacted other debt recovery and so additional provision was made for this adding £0.1m to net costs. These additional costs, and costs incurred by other services below, have been offset by funding received for managing the impact of the pandemic not spent directly on HDC pandemic response (£1.1m). The financing of the council's previous capital investment added £0.1m to net expenditure and old historic debt was reviewed and written off adding £0.22m to net expenditure.
Chief Operating Officer	One-off grant income of (£0.5m) was received and has been put to an earmarked reserve to fund future community support projects. Changes to the management of housing support along with some additional external funding produced a saving of (£0.1m). These savings were off-set by additional costs relating to the management and payment of housing benefits, £0.1m, and the printing service scaling down of operational activity which meant no external income was generated, £0.1m.
Programme Delivery	Delay in appointing to post created an in year saving.
Planning Policy	Local Plan preparation work was delayed due to the pandemic and this saving (£0.1m) has been put into reserves to be used when the work is commissioned. Other external income for priority service was also received.
Housing Strategy	Overspend on project management is being funded from an earmarked reserve.
Corporate Leadership Team	Staff cover required to ensure the council was able to respond to the impact the pandemic on the area.
Transformation	Projects were delayed due to the pandemic and some of this saving has been carried forward or put into an earmarked reserve to be used when the expenditure is incurred in the future.
Operations	Car Parking, Country Parks and Market income was all hit by the Covid-19 pandemic. In all cases costs were off-set where possible but overall net expenditure rose by £0.6m across these services. Operational savings on Waste Management, £0.3m, were offset by increased costs on Street Cleaning, £0.1m, Green Spaces management, £0.1m, and CCTV £0.14m.
Leisure and Health	Closure of the One Leisure sites, in line with the government's lockdown requirements, meant very little income was generated over the course of the year. Staff were furloughed to mitigate this loss and the government provided funding for some loss of income, but other costs could not be off-set and so an overall overspend was incurred.
3CICT Shared Service	Shared ICT service charge to HDC was lower than expected because of the volume of work being carried out, and therefore recharged, to Cambridge City and South Cambridge District Council.

COVID-19 Grants

The Council received a range of grants from Central Government in 2020/21 to support the overall response to the COVID-19 pandemic. The financial impact of these grants is included within the outturn and Statement of Accounts. The grants and Business Rates reliefs were administered by the Council in line within the guidance received from Central Government.

Following the receipt of a grant the Council had to determine whether in administering the grant it was acting as an agent or principal.

Where the Council was acting as agent the following conditions applied:

• It was acting as an intermediary between the recipient and the Government Department.

• It did not have "control" of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

The first major grant round announced was the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF). The grant details were issued in late March 2020 and the Council received £32.570m to pay these grants on 1 April 2020. As the grants sums payable were £0.010m or £0.025m for each eligible business with eligibility criteria specified by Government, the Council acted as an agent in administering these grants.

A further grant regime, the Discretionary Grant Fund was then introduced, within a maximum sum of £1.628m. The Council determined eligibility for these grants and therefore acted as a principal for this source of funding.

In total £29.480m had been paid in SBGF and RLHGF to 2,366 businesses and the maximum of £1.628m in discretionary grants to 219 businesses. The balance of £3.090m was returned to Central Government. The table below sets out the summary grant information.

Grant	Total Grant Allocation £000	The Council Acting as Agent £000	The Council Acting at Principal £000	Expenditure as at 31st March 2021 £000	Grant remaining as at 31st March 2021 £000
Small Business Grants Fund/Retail, Leisure and Hospitality Grant	29,480	29,480	-	29,480	-
Local Authority Discretionary Grant	1,628	-	1,628	1,628	-
	31,108	**29,480**	**1,628**	**31,108**	**-**

The Government then introduced a range of grants under the general heading of Local Restrictions Support Grant (LRSG), covering the period from August 2020 to 31 March 2021. In total the Council received £16.338m in grant across eleven separate allocations. Each separate tranche of LRSG had its own eligibility criteria. All except one tranche of grant funding (the Christmas Support Payments for Wet Led Pubs) remained open for final payments beyond 31 March 2021.

Nine tranches of LRSG were received to support schemes without a discretionary element and for these the Council acted as the agent of Central Government. Funding for these grants totalled £16.338m and at the year-end £5.077m remained unspent. Given the status of these grants, the funds remaining at 31 March are included in the Councils Balance Sheet (Short Term Creditors).

Once all rounds of LRSG are finally closed there will be a reconciliation and remaining funds will be repaid to Central Government.

The table below summarises the LRSG allocation and expenditure in 2020/21.

Grants	**Total Grant Allocation**	**The Council acting as Agent**	**The Council acting as Principal**	**Expenditure as at 31st March 2021**	**Grant Remaining as at 31st March 2021**
	£000	**£000**	**£000**	**£000**	**£000**
LRSG Closed Addendum	2,113	2,113	-	1,507	606
LRSG Closed 2 December:19 December 2020	28	28	-	53	-25
LRSG Open 2 December:19 December 2020	362	362	-	420	-58
Christmas Support Payments (Wet Led Pubs)	83	83	-	79	4
Closed Business Lockdown One-Off Payment	6,336	6,336	-	4,330	2,006
LRSG Closed Addendum 5 January – 15 February 2021	3,169	3,169	-	2,166	1,003
LRSG Closed 20 December – 4 January 2021	778	778	-	517	261
LRSG Open 20 December – 4 January 2021	149	149	-	0	149
LSRG Closed Addendum 16 February – 31 March 2021	3,320	3,320	-	2,189	1,131
	16,338	**16,338**	**-**	**11,261**	**5,077**

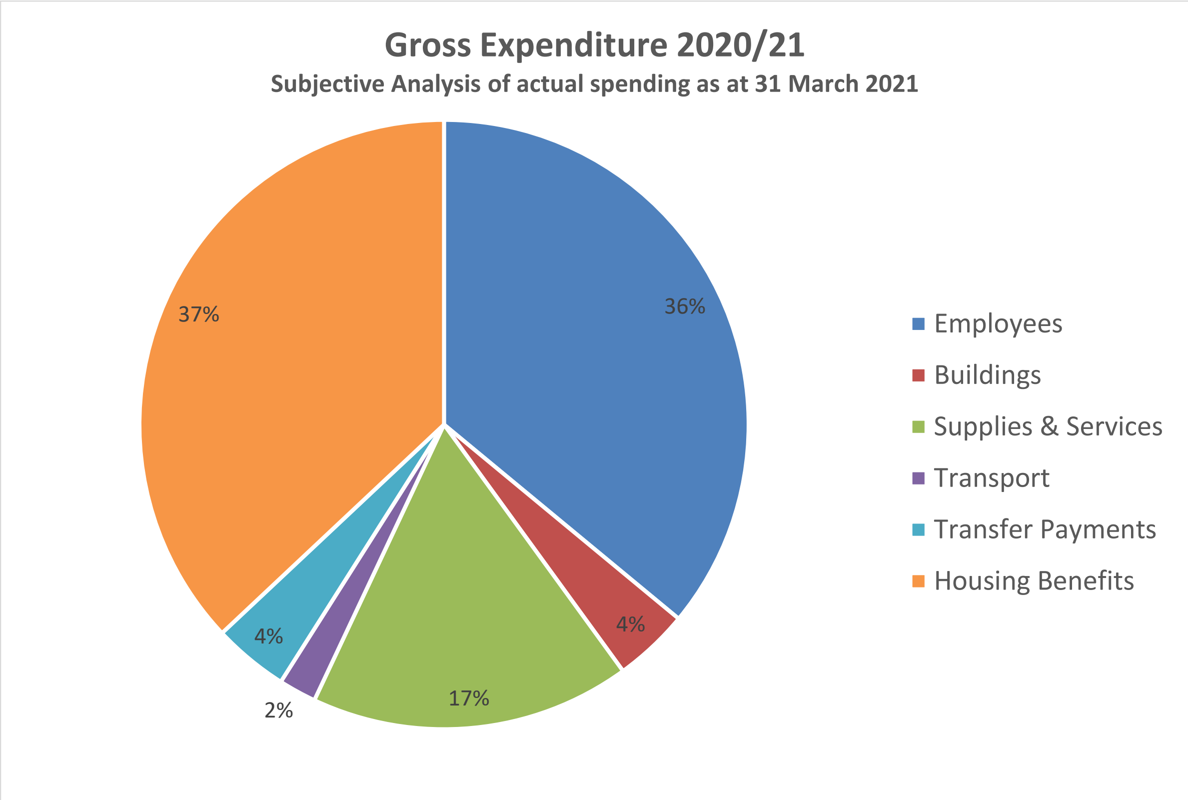
In addition to the LRSG, the Government introduced a further discretionary grant scheme the Additional Restrictions Grant. The Council introduced specific eligibility criteria for grant support based on knowledge of the Huntingdonshire economy and the local business community. During 2020/21, two rounds of grant were received totalling £5.140m for which the Council acted as a principal. By the year end £2.742m had been spent with £2.398m being carried forward within the Council's Revenue Grant reserves.

Grant	Total Grant Allocation £000	The Council Acting as Agent £000	The Council Acting at Principal £000	Expenditure as at 31st March 2021 £000	Grant remaining as at 31st March 2021 £000
Additional Restrictions Grant	5,140	-	5,140	2,742	2,398
	5,140	**-**	**5,140**	**2,742**	**2,398**

From 1 April 2021, the Council began administering a new round of business support grants known as Restart Grants with an allocation of £7.578m and it will continue to administer this grant regime until the closing date for final payments on 31 July 2021.

Analysis of Revenue Income & Expenditure

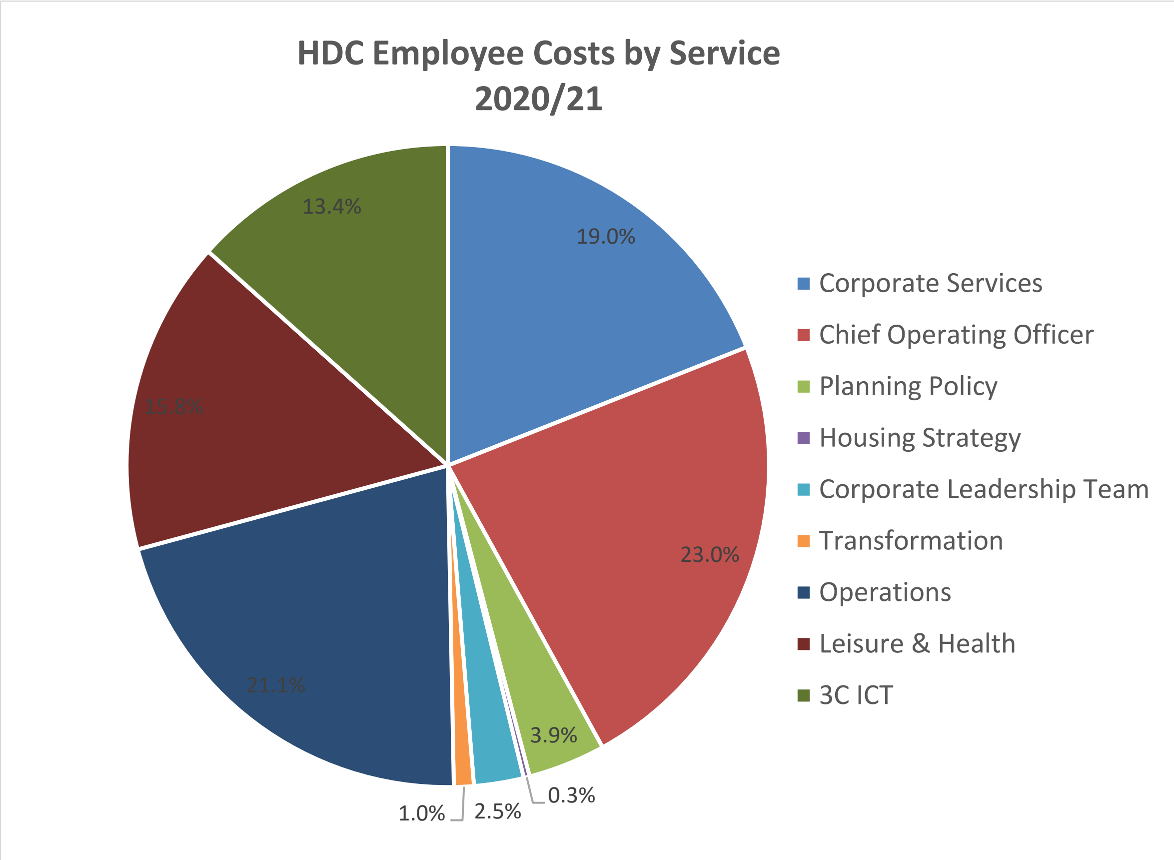
The Council spent £76.322m in 2020/21 and the chart below shows the type of expenditure this was spent on.



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 2020/21 it spent £27.348m (£26.545m in 2019/20). 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 2021.

Revenue Usable Reserves 2020/21	Bfwd	Contributions		Cfwd
		To	From	
	£000	£000	£000	£000
General Fund	**2,534**	**11,034**	**(11,393)**	**2,175**
Earmarked				
Commercial Investment Fund	3,382	2,212	0	5,594
Market Towns Investment Fund	646	27	0	673
Special Reserve	1,136	0	(313)	823
Section 106	2,132	301	(205)	2,228
Other	10,975	11,732	(1,945)	20,762
	18,271	14,272	(2,463)	30,080
Total Usable Reserves	**20,805**	**25,306**	**(13,856)**	**32,255**

The 2020/21 provisional outturn report showed a net service expenditure underspend of £0.064m against the original budget approved in February 2020.

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

Capital Spending

Capital Programme

Introduction

The approved gross Capital Programme 2020/21 is £16.611m. Schemes totalling £3.909m from 2019/20 have been rephased to 2020/21, to give the total gross capital programme for 2020/21 of £20.520m.

The Capital Programme is forecast to have an underspend of £13.415m, this includes underspends, overspends and growth.

A more detailed analysis of the capital variance to budget can be found in the Q4 Financial Performance Report.

Capital Programme Outturn

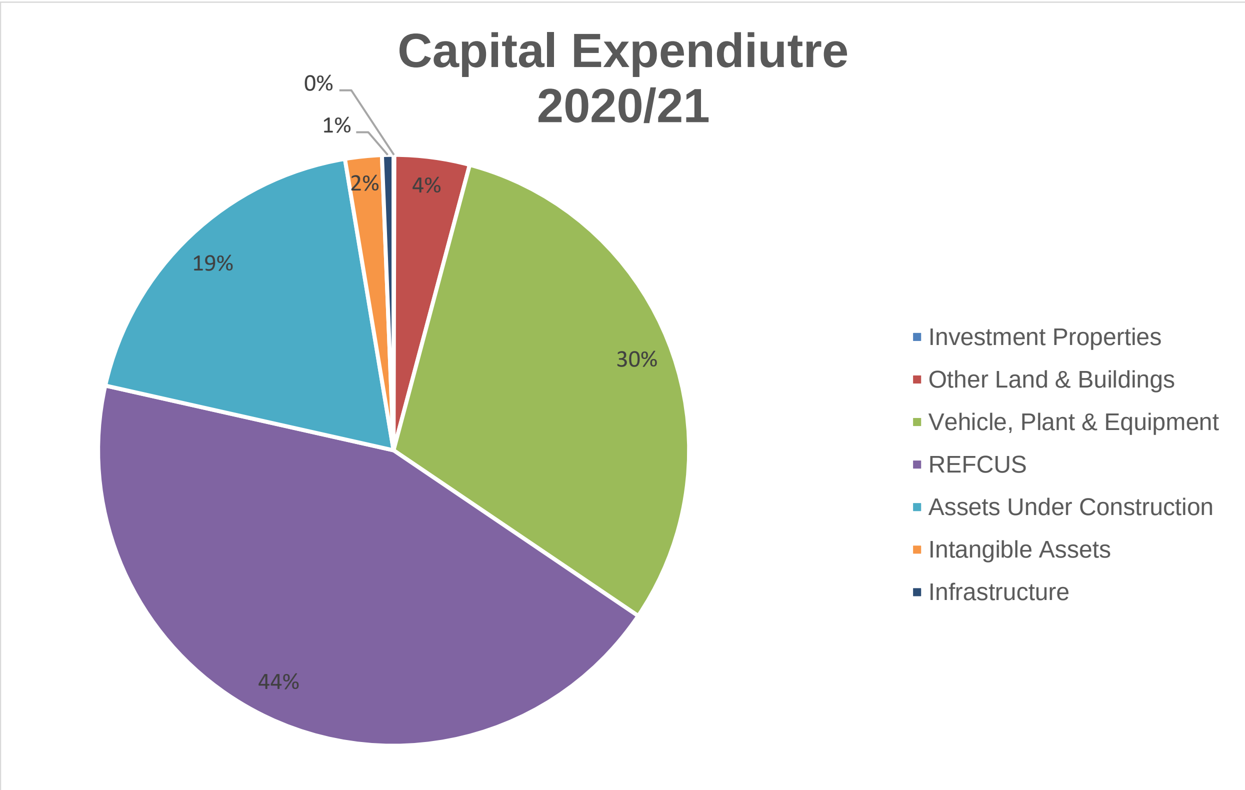
The table below shows the breakdown of the Capital expenditure by service area.

	Budget **£000**	**Actual** **£000**	**(underspend) / overspend** **£000**	**Main reasons for variance**
AD Resources	12,371	1,440	-10,931	Delay's in projects in relation to Bridge Place Car Park; Oak Tree Remedial work Projects impacted by Covid 19 are Alms Close and Huntingdon Redevelopment which is being rephased within the current budget cycle for 21/22
AD Transformation	207	0	-207	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19
Chief Operating Officer	2,306	1,542	-764	Reduction in disabled adaptations
Head of ICT	62	51	-11	
Head of Leisure & Health	1,149	290	-859	Additional spend to be funded from CIL and grant income
Head of Operations	3,819	1,911	-1,908	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19

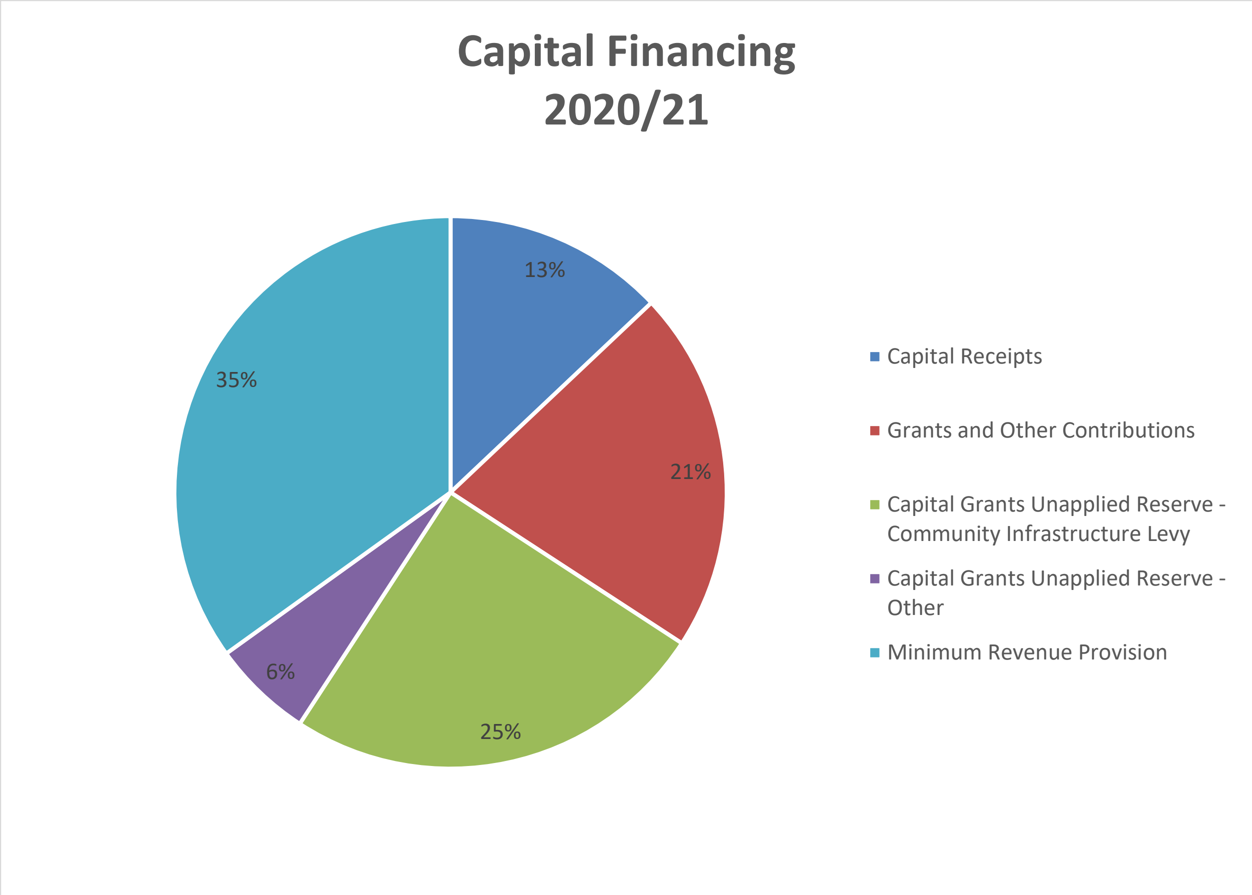
Housing Manager	0	0	0	Impacted by resources being redeployed elsewhere within the business to support the response to Covid 19
Planning Policy Manager	606	1,863	1,257	Additional spend is CIL funded projects not shown within the budget.
Covid 19 Accelerated projects	0	8	8	
Total	**20,520**	**7,105**	**-13,415**	

Capital Expenditure by type

The pie chart below show the Capital expenditure by type for 2020/21.



The pie chart below shows how the capital expenditure was financed for 2020/21.



Commercial Investment Strategy

The Commercial Investment Strategy was undertaken in response to seeking additional income streams to support the budget deficit identified in the Medium-Term Financial Strategy in 2015. This strategy set out the ambitions of the council in terms of investments, with a minimum yield of 6% or above.

Due to the pandemic there has been on activity in acquiring any additional commercial investment properties during 2020/21.

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 2020/21 influencing the Council's decision-making were:

- After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

- 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 0.09%.

The Council's response to the key issues in 2020/21 was:

- When the Council has surplus funds, these will primarily be invested on a short-term basis, in bank deposit 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, based on gilt yields over a long period.

- Where economic conditions are forecast to deteriorate it is vital to monitor financial institutions credit rating, and credit default swap rates (the cost to insure lending). This information is provided by the Council's treasury adviser - Arlingclose.

Looking to the Future

Having considered the outturn for 2020/21, which shows a generally positive position with increased reserves and improved financial resilience, it is important to consider this in the context of 2021/22, for which all the financial planning work was undertaken during 2020/21 informed by the budget monitoring information and the changing Government funding position.

The 2021/22 budget process began with an assessment of the Council's future spending plans balanced against the expected funding from Government, Council Tax and Business Rates. This forward look encompassed a five-year financial planning timeframe from 2021/22 to 2025/26.

The Finance Service forecast the future financial position having regard to:

- Relevant national and regional influences on Huntingdonshire District Council.

- Local factors which influence policy within the Council including the Administration's priorities of regenerating the borough and creating jobs.

- The impact of Government policy, finance legislation and associated announcements.

This considered the impact of the recovery on income streams within Leisure, Parking and Commercial Property, together with the continued pressure on Council Tax and Business Rates over the period of the MTFS.

The following table shows the balancing of the 2021/22 budget, with a potential budget reduction target remaining for the period from 2022/23 to 2025/26.

	2021/22 Budget £000	Medium Term Financial Strategy 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Net Expenditure	20,868	19,842	19,842	19,680	20,341
Contribution to/(from) reserves	776	(1,145)	(923)	(598)	(436)
Budget Requirement	**21,462**	**18,697**	**18,757**	**19,340**	**19,905**
Non-Domestic Rates & s31 Grant	(8,256)	(8,857)	(9,079)	(9,383)	(9,657)
Fair Funding Adjustment	82	163	245	326	408
New Homes Bonus	(2,014)	(427)	0	0	0
Covid 19 support	(1,548)	0	0	0	0
Collection Fund (surplus)/deficit	(296)	0	0	0	0
Council Tax Support Funding	(189)	0	0	0	0
Council Tax Requirement	**9,241**	**9,576**	**9,923**	**10,283**	**10,656**
Council Tax Base	63,355	63,989	64,628	65,275	65,927
Per band D	145.86	149.65	153.54	157.54	161.63
% increase	0%	2.60%	2.60%	2.60%	2.60%

During previous financial year a budget surplus reserve was set aside for use in future years and to support the phasing of future efficiency savings within the MTFS. This reserve as at 31st March 2021, is currently showing a balance of £3.251m.

Clearly this remains a challenging time for the Council and Local Government for a number of reasons and particularly with the uncertainty around the future funding for the sector and impact of long COVID on service provision.

Prior to COVID, the Government had indicated that it was prepared to reverse some of the impacts of the years of austerity and begin to provide further investment in public services including Local Government.

The Chancellor was expected to deliver a Budget that provided clarity over future investment. A multi-year Comprehensive Spending Review was expected, the Review of Relative Needs and Resources (Fair Funding Review) which sought to redistribute unringfenced grant on a new formula basis, was also to be introduced from 2021/22 together with significant reform of the Business Rates system. These were all delayed by the pandemic. It is evident that the significant investment that the Government has had to make in responding to the COVID crisis will have an impact on funding available for public services in future years.

The MTFS has been based on a range of assumptions, but given the uncertainty, about so many issues, the scope and size of the financial challenge is evolving. The Council is constantly revising estimates and working through plans to address the anticipated short, medium and long term funding shortfalls.

A key part of the Councils COVID recovery strategy will be a reassessment of the financial position. As has been advised, the accounts for 2020/21 were closed with increased reserves and balances and so the Council is in a stronger position to address the challenge. During

2021/22 work to update the financial forecasts will be progressed and informed by the budget monitoring position as well as local and national issues. This will not only deal with COVID recovery but address future financial sustainability. This work will be the focus of the Finance team during 2021/22.

The Financial Statements

The Council's financial statements for 2020/21 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 2020/21 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 2020/21 is £31.382m as shown overleaf (£53.150m 2019/20). The main reasons for this movement of £21.768m are:

- Increase in the Pension Deficit
- Increase in surplus cash balances; reduction in debtors

- Increase in reserves due to the one-off movement in NNDR funding, which will be reversed out in 21/22.

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 2021 £000
Long Term Assets	140,988
Current Assets	52,520
Current Liabilities	(27,380)
Long Term Liabilities	(134,746)
Net Assets	**31,382**
Useable Reserves	72,366
Unusable Reserves	(40,984)
Total Reserves	**31,382**

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 2021 £000**
- Operating activities	10,839
- Investing activities	6,414
- Financing activities	(2,144)
Net Increase or (decrease) in cash and cash equivalents	15,109
Cash & Cash Equivalents	
- At the beginning of the reporting period	12,925
- **At the end of the reporting period**	**28,084**

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 2020/21.

Statement of Accounting Policies
The accounting polices applicable to the 2020/21 statement of accounts are, in the main, the same as those that were applied to the 2019/20.

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 no material asset or material liabilities acquired during the year.

Changes in Statutory Functions
There were no changes in statutory functions in 2020/21.

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Claire Edwards FCCA

Chief Finance Officer

16th July 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 2021 and its income and expenditure for the year ended 31 March 2021.

Claire Edwards FCCA
Chief Finance Officer

16th July 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 30th September 2021 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor Graham Bull
30th September 2021

Movement in Reserves Statement

Movement in reserves during 2020/21	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
BALANCE AT 31 MARCH 2020 B'FWD	**2,534**	**18,443**	**33,939**	**54,916**	**(1,766)**	**53,150**
Opening Adjustment *	**0**	**(172)**	**0**	**(172)**	**0**	**(172)**
BALANCE AT 1ST APRIL 2020 B'FWD	**2,534**	**18,271**	**33,939**	**54,744**	**(1,766)**	**52,978**
Surplus/(Deficit) on provision of services	5,060	0	0	5,060	0	5,060
Other comprehensive income and expenditure	0	0	0	0	(26,656)	(26,656)
Total comprehensive income and expenditure	**5,060**	**0**	**0**	**5,060**	**(26,656)**	**(21,596)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	8,789	0	3,773	12,562	(12,562)	0
Net increase/(decrease) before transfers to earmarked reserves	**13,849**	**0**	**3,773**	**17,622**	**(39,218)**	**(21,596)**
Transfers (from)/to earmarked reserves (Note 10)	(14,208)	14,208	0	0	0	0
(Decrease)/increase in Year	**(359)**	**14,208**	**3,773**	**17,622**	**(39,218)**	**(21,596)**
BALANCE AT 31 MARCH 2021 C'FWD	**2,175**	**32,479**	**37,713**	**72,367**	**(40,984)**	**31,382**
Movement in reserves during 2019/20						
BALANCE AT 31 MARCH 2019 B'FWD	**2,555**	**17,392**	**23,342**	**43,289**	**(15,139)**	**28,150**
Surplus/(Deficit) on provision of services	(3,580)	0	0	(3,580)	0	(3,580)
Other comprehensive income and expenditure	0	0	0	0	28,580	28,580
Total comprehensive income and expenditure	**(3,580)**	**0**	**0**	**(3,580)**	**28,580**	**25,000**
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	**3,148**	**0**	**10,597**	**13,745**	**11,255**	**25,000**
Transfers (from)/to earmarked reserves (Note 10)	(3,169)	1,051	0	(2,118)	2,118	0
(Decrease)/increase in Year	**(21)**	**1,051**	**10,597**	**11,627**	**13,373**	**25,000**
BALANCE AT 31 MARCH 2020 C'FWD	**2,534**	**18,443**	**33,939**	**54,916**	**(1,766)**	**53,150**

* This adjustment relates to an extrapolated error in 2019/20 accounts which for the purposes of 2020/21 is a non-adjusting entry in reconciling the b/fwd balances to the finance system.

Comprehensive Income and Expenditure Statement (CIES)

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
7,335	(796)	6,539	AD Corporate Services	9,913	(2,931)	6,982
40,849	(35,805)	5,044	Chief Operating Officer	39,046	(34,966)	4,080
19	0	19	Programme Delivery	60	0	60
1,586	(570)	1,016	Planning Policy Manager	3,156	(514)	2,642
219	0	219	Housing Strategy Manager	176	0	176
874	0	874	Corporate Leadership Team	747	(25)	722
432	(12)	420	AD Transformation	331	(174)	157
12,287	(5,195)	7,092	Head of Operations	10,536	(4,384)	6,152
8,629	(6,687)	1,942	Head of Leisure & Health	7,093	(5,261)	1,832
9,610	(6,816)	2,794	3CICT Shared Service	7,874	(5,472)	2,402
81,840	**(55,881)**	**25,959**	**Cost of Services**	**78,932**	**(53,727)**	**25,205**
9,689	0	9,689	Other Operating Expenditure (note 11)	7,597	0	7,597
10,424	(5,843)	4,581	Financing and Investment Income and Expenditure (note 12)	3,948	(5,862)	(1,914)
3,654	(40,303)	(36,649)	Taxation and Non-specific Grant Income (note 13)	5,249	(41,197)	(35,948)
105,607	**(102,027)**	**3,580**	**(Surplus) / Deficit on provision of services**	**95,726**	**(100,786)**	**(5,060)**
		(333)	(Surplus) or deficit in the revaluation of non-current assets			0
		0	Surplus/deficit on financial assets measured at fair value through other Comprehensive Income			0
		(28,247)	Actuarial losses/(gains) on pension assets and liabilities			26,656
		(28,580)	**Other comprehensive income and expenditure**			**26,656**
		(25,000)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**21,596**

Balance Sheet

31 March 2020 £000		Notes	31 March 2021 £000
73,212	Property, Plant and Equipment	14	71,023
65	Heritage Assets		65
54,945	Investment Property	15	56,906
976	Intangible Assets	16	913
3,824	Long Term Investments	17	3,797
11,027	Long Term Debtors	17	8,284
144,049	**Long Term Assets**		**140,988**
0	Short Term Investments	17	0
225	Inventories	18	289
27,013	Short Term Debtors	19	21,747
13,004	Cash and Cash Equivalents	20	30,004
480	Assets Held for Sale	21	480
40,722	**Current Assets**		**52,520**
(29)	Bank overdraft	20	(1,921)
(4,762)	Short Term Borrowing	17	(759)
(18,934)	Short Term Creditors	22	(19,134)
0	Grants receipt in advance - capital	22,31	(3,783)
(1,956)	Provisions	38	(1,783)
(25,681)	**Current Liabilities**		**(27,380)**
(39,417)	Long Term Borrowing	17	(38,884)
(718)	Other Long Term Liabilities	17	(589)
(65,805)	Net Pensions Liability	37	(95,273)
(105,940)	**Long Term Liabilities**		**(134,746)**
53,150	**Net Assets**		**31,382**
54,916	Useable Reserves	23	72,366
(1,766)	Unusable Reserves	24	(40,984)
53,150	**Total Reserves**		**31,382**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Claire Edwards FCCA
Chief Finance Officer – **s.151 Officer**
16th July 2021

Cash Flow Statement

2019/20 £000		2020/21 £000
(3,580)	Net Surplus / (Deficit) on the provision of services	5,060
20,016	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	13,068
(12,656)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(7,290)
3,780	Net cash flows from Operating Activities	**10,838**
(5,313)	Investing Activities (Note 26)	6,414
12,061	Financing Activities (Note 27)	(2,144)
10,528	Net increase/(decrease) in cash and cash equivalents	**15,108**
2,447	Cash and cash equivalents at the beginning of the reporting period	12,975
12,975	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**28,803**

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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 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 2020/21 include the 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; Discretionary Business and Local Restrictions Support, Additional Restrictions and Restart 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.

In February 2021 the Council published an update to its Medium-Term Financial Strategy (MTFS) which has taken into account the potential impact on key areas of income and expenditure continuing in to 2021/22. The updated MTFS from 2021/22 retains a minimum General Fund balance of £2.175m and by the year ending 31 March 2022 forecasts a budget surplus reserve of £4.76m, the Commercial Investment Reserve maintained at £3.176m and with total General Fund balances forecast to be £18.5m.

It also considers the impact on funding in terms of:

• Deficits/Surplus 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, with no growth assumed in 21/22.

• Changing the assumptions around growth in the Council Tax base from 1.7% to 1%, 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 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.

The Council has undertaken some forecasting of its cash position to the end of 2021/22 and estimates that it could be around £7.4m at the end of April 2022, which demonstrates its ability to work within its Capital Financing Requirement and cash management framework. The Council's cash has been invested to maintain high liquidity and as of 30th June 2021 there was £33.9m in Money Mark Funds or Call Accounts. This demonstrates that the Council has sufficient liquidity over the period, with no forecast for short term borrowings for liquidity purposes.

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.

Community infrastructure levy

The authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital.

Business improvement districts

A business improvement district (BID) scheme applies across the whole of the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

- **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 2020/21, 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

  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.

➢ **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.

- Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 have an impact on hedge accounting if interest rates change. The amendments will not have an impact on the council, as the council's debt is fixed rate and all of the council's investments are in sterling and low risk.

- Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied. In addition, financial instruments are valued in the accounts at amortised cost rather than fair value.

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 line with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 2020/21 for Land is £23,616m and Buildings (NBV) is £41,113m (2019/20; Land is £23.616m and Buildings (NBV) is £39.788m).

- 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 £95.272m for 2020/21; this is an increase of £29.467 since 2020/21. 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 2021. An estimated provision of £4.426m 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 £1.770m 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 2021 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). The draft accounts do not yet reflect any revaluation for 20/21 due to the impact of Covid 19 on resources and capacity to complete in time. A valuation is being carried out and will be completed by October 2021 and incorporated into the final statements.	79% of the council's assets are valued at fair value as at 31st March 2020, 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 £0.591m. If there was a 5% fall in market value due to the impact of Covid 19 on the property market, it is estimated that the value of the council's property assets would reduce by £2.959m
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. The draft accounts do not yet reflect any revaluation for 20/21 due to the impact of Covid 19 on resources and capacity to complete in time. A valuation is	It is estimated that a 1% fall in market value would reduce the value of the Council's investment properties by £0.569m. 2019/20 valuation saw a fall of 10% in the estimated market value in the initial impact of the Covid 19 pandemic. If there was a further 10% fall in market value due to the impact of Covid 19 on the property

	being carried out and will be completed by October 2021 and incorporated into the final statements.	market, it is estimated that the value of the council's investment portfolio would reduce by £5.691m
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 pensions 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 £27.669m. • 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 £2.377m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £24.734m.
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 2021 the Council has a net debtor's balance of £21.747m.	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 £0.058m impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £0.426m
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 £0.443m for the Collection Fund of which £0.177m 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 2020/21 no such items of income or expenditure were incurred (2019/20; nil).

Note 6. Events after the Balance Sheet Date

The Chief Finance Officer authorised the Statement of Accounts on 16th July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 and 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.

	2020/21					
	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	5,847	592	543	0	1,135	6,982
Chief Operating Officer	4,055	(205)	230	0	25	4,080
Programme Delivery	58	0	2	0	2	60
Planning Policy	709	1,899	34	0	1,933	2,642
Housing Strategy	214	0	3	(41)	(38)	176
Corporate Leadership	699	0	23	0	23	722
Transformation	129	17	11	0	28	157
Operations	4,095	1,870	187	0	2,057	6,152
Leisure & Health	326	1,388	118	0	1,506	1,832
ICT Shared Service	1,990	284	128	0	412	2,402
Cost of Services	**18,122**	**5,845**	**1,279**	**(41)**	**7,083**	**25,205**
Other income and expenditure	(31,971)	(2,784)	1,533	2,957	1,706	(30,264)
(Surplus) or Deficit	**(13,849)**	**3,061**	**2,812**	**2,916**	**8,789**	**(5,060)**
Opening General Fund Balance (Includes Earmarked Reserves)	**20,805**					
Plus Surplus/(Deficit) on General Fund in Year	13,849					
Less Use of General Fund Balances to Fund Capital Expenditure	0					
Closing General Fund Balance 31 March	**34,654**					

	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	5,250	129	1,160	0	1,289	6,539
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	**18,004**	**5,102**	**2,781**	**72**	**7,955**	**25,959**
Other income and expenditure	(21,152)	6,067	2,190	(9,484)	(1,227)	(22,379)
(Surplus) or Deficit	**(3,148)**	**11,169**	**4,971**	**(9,412)**	**6,728**	**3,580**
Opening General Fund Balance (Includes Earmarked Reserves)	**19,947**					
Plus Surplus/(Deficit) on General Fund in Year	3,148					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,118)					
Closing General Fund Balance 31 March	**20,977**					

Notes to the EFA

a Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation, impairment and 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:-

2019/20 £'000	Services	2020/21 £'000
796	Corporate Services	2,931
34,363	Chief Operating Officer	33,472
0	Programme Delivery	0
570	Planning Policy	514
0	Housing Strategy	0
0	Corporate Leadership	25
12	Transformation	174
5,195	Operations	4,383
6,687	Leisure & Health	5,261
6,816	ICT Shared Service	5,472
54,439	**Total income analysed on a segmental basis**	**52,232**

Note 8. Expenditure and Income Analysed by Nature

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

2019/20 £000s	Expenditure/Income	2020/21 £000s
	Expenditure	
26,234	Employee benefits expenses	27,329
15,735	Other services expenses	14,012
5,282	Support service recharges	2,904
15,121	Depreciation, amortisation, REFCUS and investment property fair value adjustment	7,246
551	Interest payments	541
3,245	Transfer and Grant Payments	6,662
9,723	Precepts and levies	8,656
29,716	Benefit Payments	28,376
105,607	**Total expenditure**	**95,726**
	Income	
(29,300)	Fees, charges and other service income	(25,548)
(561)	Interest and investment income	(484)
(21,123)	Income from council tax and non-domestic rates	(13,465)
(36,809)	Government grants and contributions	(55,138)
(14,234)	Levies	(6,151)
(102,027)	**Total income**	**(100,786)**
3,580	**Surplus or Deficit on the Provision of Services**	**(5,060)**

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.

2020/21

	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	(4,032)	0	0	4,032
Amortisation of intangible fixed assets	(204)	0	0	204
Fair value of investment properties	0	0	0	0
Revenue expenditure funded from capital under statute	(1,616)	0	0	1,616
Net carrying amount of non-current assets sold	0	0	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	88	0	0	(88)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	2,602	0	0	(2,602)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	966	0	(966)
Proceeds of sale of non-current assets	101	(101)	0	0
Repayment of loan	0	(865)	0	865
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	14	0	0	(14)
Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38 of Pension Fund)	(7,439)	0	0	7,439
Employer's pensions contributions and direct payments to pensioners payable in the year	4,627	0	0	(4,627)
Adjustments involving the Deferred Capital Receipts Adjustment of costs to be offset against future capital receipts	(30)	0	0	30
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	(8,536)	0	0	8,536
Adjustments involving the Capital Grants Unapplied Account Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	5,636	0	(3,773)	(1,863)
Total Adjustments	**(8,789)**	**0**	**(3,773)**	**12,562**

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	(1,114)	0	0	1,114
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	**(6,728)**	**0**	**(10,597)**	**17,325**

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 31.3.19 £000	Transfers in £000	Transfers out £000	Balance 31.3.20 £000	Opening Adjustment	Transfers in £000	Transfers out £000	Balance 31.3.21 £000	Purpose of Reserve
S106 agreements	**(1,648)**	(814)	1,456	**(1,006)**	0	(221)	101	**(1,126)**	**A**
Commuted S106 payments	**(982)**	(244)	100	**(1,126)**	0	(79)	104	**(1,101)**	**B**
Repairs and renewals funds	**(1,847)**	(33)	0	**(1,880)**	0	(33)	0	**(1,913)**	**C**
Strategic Transformation Reserve	**(838)**	(284)	317	**(805)**	0	0	0	**(805)**	**D**
Collection Fund Reserve	**(2,202)**	0	1,020	**(1,182)**	0	(10,300) **	0	**(11,482)**	**E**
Commercial Investment Fund	**(3,106)**	(2,304)	2,028	**(3,382)**	0	(2,213)	0	**(5,595)**	**F**
Market Towns Investment Fund	**(750)**	0	104	**(646)**	0	(27)	0	**(673)**	**G**
Budget Surplus Reserve	**(3,343)**	(2,593)	989	**(4,947)**	172*	(242)	1,766	**(3,251)**	**H**
Special reserve	**(584)**	(723)	171	**(1,136)**	0	0	313	**(823)**	**I**
Other reserves	**(2,092)**	(367)	126	**(2,333)**	0	(3,556)	180	**(5,709)**	**J**
Total	**(17,392)**	**(7,362)**	**6,311**	**(18,443)**	**172**	**(16,671)**	**2,464**	**(32,478)**	

* This adjustment relates to an extrapolated error in 2019/20 accounts which for the purposes of 2020/21 is a non-adjusting entry in reconciling the b/fwd balances to the finance system.

**This relates to additional funding received in year for Business Rates in 2020/21 and will not be offset against the Collection Fund deficit until 2021/22, thereby inflating the General Funding balances at the end of the 2020/21 financial year.

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 the £2.175m 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 on-going service activity, including Local Plan activity, NDR Reliefs, District Council Elections, New Trading Company, Community Infrastructure Levy administration, IT projects, Housing Support, Community Support projects, Budget Underspendings carried forward and Landlord activities.

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

2019/20 £000		2020/21 £000
6,651	Parish Council precepts	7,253
425	Drainage Board Levies	445
2,613	(Gains)/losses on the disposal of non-current assets	(101)
9,689	**Total**	**7,597**

Note 12. Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
551	Interest payable and similar charges	541
2,174	Pensions interest cost and expected return on pensions assets	1,527
(561)	Interest receivable	(484)
2,292	Income and expenditure in relation to investment properties and changes in their fair value	(3,683)
142	CCLA Property Fund Fair Value adjustment	27
(17)	Other Investment, Trading Operations & Shared Services	158
4,581	**Total**	**(1,914)**

Note 13. Taxation and Non Specific Grant Income

2019/20 £000		2020/21 £000
(15,262)	Council Tax income	(16,602)
(5,862)	Non Domestic Rates	3,137
(4,734)	Non-ringfenced Government grants	(14,337)
(10,580)	Developer Contributions (CIL & S106)	(5,220)
(211)	Capital grants	(527)
0	Covid-19 Support Grants	(2,398)
(36,649)	**Total**	**(35,47)**

Note 14. Property, Plant and Equipment

Movements in 2020/21	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	**58,909**	**21,423**	**10,088**	**451**	**1,046**	**91,917**
Additions	290	2,142	44	0	1,331	**3,807**
Revaluation to Revaluation Reserve	0	0	0	0	0	**0**
Revaluation to CIES	0	0	0	0	0	**0**
Disposal	0	(573)	0	0	0	**(573)**
Transfer within Property, Plant and Equipment	0	0	0	0	(1,968)	**(1,968)**
Gross C'fwd	**59,199**	**22,992**	**10,132**	**451**	**409**	**93,183**
Depreciation						
Gross B'fwd	**(610)**	**(12,829)**	**(5,266)**	**0**	**0**	**(18,705)**
Depreciation in Year	(1,821)	(1,828)	(379)	0	0	**(4,028)**
Depreciation to Revaluation Reserve	0	0	0	0	0	**0**
Disposal	0	573	0	0	0	**573**
Gross C'fwd	**(2,431)**	**(14,084)**	**(5,645)**	**0**	**0**	**(22,160)**
Net Book Value						
At 31 March 2021	**56,768**	**8,908**	**4,487**	**451**	**409**	**71,023**
At 31 March 2020	**58,299**	**8,594**	**4,822**	**451**	**1,046**	**73,212**

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**

Capital Commitments

As at 31 March 2021 the Council was contractually committed to capital works valued at approximately £1.501m (31 March 2020; £1.416m). The schemes are listed in the table below.

Division	Scheme	Amount £000
Development	Disabled Facilities Grants	298
Leisure	Leisure Centre – Future Improvements	5
	St Neots – General Improvements	1
	St Ives – General Improvements	4
Resources	Oak Tree Remedial	66
	Energy Efficiency – Comm Properties	2
Operations	Bridge Place Car Park Construction	71
	Vehicles & Plant	848
	Godmanchester Mill Weir Improvements	3
	Parking Strategy	53
	CCTV – Camera Replacements	58
	St Ives Park	58
	Huntingdon On-Street WiFi	23
	Hinchingbrooke Country Park	10
	City Housing CCTV Project	1
Total		**1,501**

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 valuation for 2020/21 financial year are still to be carried out and have been delayed due to the impact on resources and capacity caused by covid-19.

  Valuations on Land and Building will be carried and incorporated into the audited accounts, when finalised.

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 2021	59,199

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.

2019/20 £000		2020/21 £000
(4,673)	Rental income from investment property	(4,623)
1,003	Direct operating expenses arising from investment property	941
(3,670)		**(3,682)**
5,962	Revaluation Adjustment	0
2,292	**Net (gain)/loss**	**(3,682)**

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

2019/20 £000		2020/21 £000
46,252	**Balance at start of the year**	**54,945**
14,655	Additions in year	2
(5,962)	Net gain/(loss) for fair value	0
0	Transfers and reclassifications	1,959
54,945	**Balance at end of the year**	**56,906**

The valuation for 2020/21 financial year are still to be carried out and have been delayed due to the impact on resources and capacity caused by covid-19.

Valuations for Investment Property will be carried and incorporated into the audited accounts, when finalised.

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.

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	2019/20 Fair Value Inputs Level 2 Other significant observable inputs £000	2020/21 Fair Value Inputs Level 2 Other significant observable inputs £000
Retail	7,845	7,845
Office	10,520	10,520
Commercial	36,580	36,580
	54,945	**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

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 £0.204m was charged to revenue in 2020/21; 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.

<u>Capital Commitments</u>
As at 31 March 2021 the Council was committed contractually to capital works of £0m (31 March 2020; £0m).

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

2019/20 £000		2020/21 £000
	Balance at start of the year:	
3,133	Gross carrying amounts	2,940
(2,066)	Accumulated amortisation	(1,964)
1,067	**Net carrying amount at the start of the year**	**976**
141	Additions	141
(232)	Amortisation for the period	(204)
(334)	Disposals or retirements	(0)
334	Amortisation on Disposal	0
976	**Net carrying amount at the end of the year**	**913**
2,940	Gross carrying amounts	3,075
(1,964)	Accumulated amortisation	(2,162)
976	**Net carrying amount at end of the year**	**913**

Note 17. Financial Instruments

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

Long-term 2019/20 £000	Long-term 2020/21 £000		Current 2019/20 £000	Current 2020/21 £000
		Investments		
3,824	3,797	Financial assets (Fair Value through Profit and Loss)	0	0
3,824	**3,797**	**Total investments**	**0**	**0**
		Debtors		
11,027	8,284	Loans and receivables	18,713	15,492
11,027	**8,284**	**Total Debtors**	**18,713**	**15,492**
14,851	**12,081**	**TOTAL FINANCIAL ASSETS**	**18,713**	**15,492**
		Borrowings		
(39,417)	(38,884)	Financial liabilities at amortised cost	(4,762)	(759)
(39,417)	**(38,884)**	**Total borrowings**	**(4,762)**	**(759)**
		Other Long-Term Liabilities		
(718)	(589)	Financial liabilities at fair value through Profit and Loss	0	0
(718)	**(589)**	**Total Other Long-Term Liabilities**	**0**	**0**
		Creditors		
0	0	Financial liabilities at amortised cost	(5,022)	(2,222)
0	**0**	**Total creditors**	**(5,022)**	**(2,222)**
(40,135)	**(39,473)**	**TOTAL FINANCIAL LIABILITIES**	**(9,784)**	**(2,981)**

Gains and losses on income and expense

Financial Liabilities (Liabilities measured at amortised cost)			Financial Assets (Loans and Receivables	
2019/20 £000	**2020/21 £000**		**2019/20 £000**	**2020/21 £000**
551	541	Interest expenses	0	0
0	0	Interest income	(561)	(484)
551	**541**	**Net gain/(loss) for the year**	**(561)**	**(484)**

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 2021, 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 net asset value 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 2021, 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 investments 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 2020/2021.

2019/20			**2020/21**	
Carrying amount £000	**Fair value £000**		**Carrying amount £000**	**Fair value £000**
		Liabilities		
(49,919)	(55,946)	Financial liabilities	(42,454)	(48,711)
		Assets		
33,564	35,343	Loans and receivables	27,573	29,699

	Fair Value Level	Balance Sheet 31.3.2020	Fair Value 31.3.2020	Balance Sheet 31.3.2021	Fair Value 31.3.2021
		£000	£000	£000	£000
Financial Liabilities held at amortised cost:					
Long term loans from PWLB	2	(39,417)	(46,143)	(38,884)	(45,709)
TOTAL		**(39,417)**	**(46,143)**	**(38,884)**	**(45,709)**
Liabilities for which fair value is not disclosed		(10,502)		(3,570)	
TOTAL FINANCIAL LIABILITIES		**(49,919)**	**(46,143)**	**(42,454)**	**(45,709)**
Recorded on the balance sheet as:					
Short term creditors		(5,022)	(5,022)	(2,222)	(2,222)
Short term borrowing		(4,762)	(4,781)	(759)	(780)
TOTAL SHORT TERM FINANCIAL LIABILITIES		**(9,784)**	**(9,803)**	**(2,981)**	**(3,002)**
Long term borrowing		(39,417)		(38,884)	
Other long term liabilities		(718)		(589)	
TOTAL LONG TERM FINANCIAL LIABILITIES		**(40,135)**		**(39,473)**	
TOTAL FINANCIAL LIABILITIES		**(49,919)**	**(55,946)**	**(42,454)**	**(48,711)**

	Fair Value Level	Balance Sheet 31.3.2020	Fair Value 31.3.2020	Balance Sheet 31.3.2021	Fair Value 31.3.2021
		£000	£000	£000	£000
Financial assets held at fair value:					
Property Fund	1	3,824	3,824	3,797	3,797
Short term Investment	1	0	0	0	0
Financial assets held at amortised cost:					
Long term loans to local organisations	2	5,085	6,850	4,715	6,824
TOTAL		**8,909**	**10,674**	**8,512**	**10,621**
Assets for which fair value is not disclosed		24,655		19,061	
TOTAL FINANCIAL ASSETS		**33,564**		**27,573**	
Recorded on the balance sheet as:					
Short term debtors		18,713		15,492	
Short term investments		0		0	
TOTAL SHORT TERM FINANCIAL ASSETS		**18,713**		**15,492**	
Long term debtors		11,027		8,284	
Long term investments		3,824		3,797	
TOTAL LONG TERM FINANCIAL ASSETS		**14,851**		**12,081**	
TOTAL FINANCIAL ASSETS		**33,564**		**27,573**	

The Financial Liabilities are shown below:

Financial Instrument	2019/20 Carrying amount £000	2020/21 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%)	(407)	(247)	502463 2.24% 07/08/2013 to 07/08/2023
PWLB (3.28%)	(674)	(657)	504487 3.28% 25/11/2015 to 25/11/2046
PWLB (3.10%)	(896)	(873)	504598 3.10% 19/01/2016 to 19/01/2047
PWLB (2.91%)	(446)	(435)	504810 2.91% 21/03/2016 to 21/03/2047
PWLB (3.10%)	(363)	(354)	504922 3.10% 29/04/2016 to 29/04/2047
PWLB (2.92%)	(294)	(286)	504993 2.92% 02/06/2016 to 02/06/2047
PWLB (2.31%)	(572)	(566)	505255 2.31% 29/07/2016 to 29/07/2047
PWLB (2.18%)	(446)	(433)	505372 2.18% 23/09/2016 to 23/09/2047
PWLB (2.67%)	(798)	(778)	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%)	(266)	0	508931 1.48% 25/03/2019 TO 25/03/2022
PWLB (2.18%)	(11,963)	(11,963)	
	(39,417)	**(38,884)**	
Short Term			
PWLB (2.24%)	(157)	(160)	502463
PWLB (3.28%)	(16)	(17)	504487
PWLB (3.10%)	(22)	(23)	504598
PWLB (2.91%)	(11)	(12)	504810
PWLB (3.10%)	(9)	(9)	504922
PWLB (2.92%)	(7)	(7)	504993
PWLB (2.31%)	(26)	(16)	502255
PWLB (2.18%)	(12)	(13)	505372
PWLB (2.67%)	(20)	(20)	505649
PWLB (1.48%)	(267)	(267)	
Accrued interest	(214)	(215)	
	(761)	**(759)**	
Creditors	**(5,022)**	**(2,222)**	
	(45,200)	**(41,865)**	

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 the interest rate payable 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 £0.005m, uniforms £0.063m and ICT hardware £0.101m (2019/20 refuse sacks £0.007m, uniforms £0.013m, ICT hardware £0.057m, chemicals £0.002m;).

	Leisure Centres		Diesel		Other		Total	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April	**20**	**54**	**24**	**93**	**583**	**78**	**627**	**225**
Purchases	0	0	568	475	56	0	624	475
Recognised as an expense in the year	0	0	(528)	(476)	0	0	(528)	(476)
Stock Adjustment	34	(12)	29	4	(561)	91	(498)	83
Written off balances	0	0	0	(18)	0	0	0	(18)
Balance at 31st March	**54**	**42**	**93**	**78**	**78**	**169**	**225**	**289**

Note 19. Debtors

2019/20 £000		2020/21 £000
2,230	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	4,186
10,757	Other Local Authorities	6,021
16,017	Other entities and individuals	13,176
5	NHS	662
(1,996)	Bad debt provision (Impairment of loans and receivables)	(2,298)
27,013		**21,747**

Note 20. Cash and Cash Equivalents

2019/20 £000		2020/21 £000
9	Cash held by the Council	9
12,995	Bank balances	29,995
13,004	**Cash and Cash Equivalents**	**30,004**
(29)	Less Bank overdraft	(1,922)
12,975	**Net Total Cash and Cash Equivalents**	**28,082**

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.

2019/20 £000		2020/21 £000
480	**Balance at start of year**	**480**
0	**Total of Transfers from Non-Current Assets & Total of Net Assets Sold**	**0**
480	**Balance at End of Year**	**480**

Note 22. Creditors

2019/20 £000		2020/21 £000
	Creditors and Receipts in Advance:	
7,676	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	9,425
5,204	Other Local Authorities	4,766
342	NHS	352
5,712	Other entities and individuals	4,591
18,934	**Sub Total: Creditors and Receipts in Advance**	**19,134**
	Capital Grants Received in Advance/Capital Receipts in Advance:	
0	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	3,783
0	**Sub Total: Capital Grants Received in Advance/Capital Receipts in Advance**	**3,783**
18,934	**Total Creditors and Receipts in Advance**	**22,917**

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

2019/20 £000		2020/21 £000
(37,450)	Capital Adjustment Account	(36,783)
(28,456)	Revaluation Reserve	(27,925)
329	Financial Instruments Adjustment Account	315
156	Financial Instruments Revaluation Reserve	156
0	Deferred Capital Receipts	30
65,805	Pensions Reserve	95,273
1,382	Collection Fund Adjustment Account	9,918
1,766	**Total Unusable Reserves**	**40,984**

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.

2019/20		Capital Adjustment Account	2020/21	
£000	£000		£000	£000
	(44,001)	**Balance at 1 April**		**(37,450)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,962		Charges for depreciation of non-current assets	4,032	
232		Amortisation of intangible assets	204	
911		Revenue expenditure funded from capital under statue	1,616	
1,155		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	0	
(635)		Adjusting amounts written out of the Revaluation Reserve	(531)	
		Capital financing applied in the year:		

(567)		Use of the Capital Receipts Reserve to finance new capital expenditure	(966)	
(90)		Use of S106 earmarked reserves	0	
(211)		Application of Grants to finance capital expenditure	(88)	
(143)		Application of grants to capital financing from the capital grants unapplied account	(1,863)	
(2,300)		Statutory provision for the financing of capital investment charged against the general fund (MRP)	(2,602)	
303		Repayment of long term debtors	865	
(2,028)		Capital expenditure charged to General Fund	0	
		Investment Property Fair Values		
5,962		Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	0	
	6,551	**Total Movements**		**667**
	(37,450)	**Balance at 31 March**		**(36,783)**

Revaluation Reserve

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.

2019/20 £000	**Revaluation Reserve**	**2020/21 £000**
(30,480)	**Balance at 1 April**	**(28,456)**
(1,889)	Upward revaluation of assets	0
1,556	Downward revaluation or impairment of assets not charged to the surplus/deficit on the provision of services	0
(333)	**(Surplus) or deficit in the revaluation of non-current assets**	**0**
1,722	Other adjustments for assets disposed of or transferred – Written off to the Capital Adjustment Account	**0**
635	Difference between fair value depreciation and historical cost depreciation - written off to Capital Adjustment Account	531
(28,456)	**Balance at 31 March**	**(27,925)**

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.

2019/20 £000	Financial Instruments Adjustment Account	2020/21 £000
115	**Balance at 1 April**	**329**
214	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	(14)
329	**Balance at 31 March**	**315**

The fair value of car loans was immaterial and has not been included (see Financial Instruments Note).

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.

2019/20 £000	Financial Instruments Revaluation Reserve	2020/21 £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.

2019/20 £000	Pensions Reserve	2020/21 £000
89,081	**Balance at 1 April**	**65,805**
(28,247)	Actuarial (gains) or losses on pensions assets and liabilities	26,656
9,499	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	7,439
(4,528)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,627)
65,805	**Balance at 31 March**	**95,273**

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 2020/21 and previous years although it is only actually transferred from the Collection Fund in line with regulations.

2019/20 £000	Collection Fund Adjustment Account	2020/21 £000
268	**Balance at 1 April**	**1,382**
1,114	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	8,536
1,382	**Balance at 31 March**	**9,918**

Note 25. Operating Activities

The cash flows for operating activities include the following items:

2019/20 £000	Interest Items	2020/21 £000
1,332	Interest Received	873
(549)	Interest Paid	(494)

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

2019/20 £000	Non-Cash Items	2020/21 £000
3,962	Depreciation	4,032
0	Impairment and downward valuations	0
232	Amortisation	204
4,308	Increase/ (decrease) in creditors	3,663
(2,541)	Increase/ (decrease) in debtors	3,025
402	Increase/ (decrease) in inventories	(66)
4,971	Movement in pension liability	2,812
2,877	Carrying amount of non-current assets and non- current assets held for sale, sold or derecognised	0
5,805	Other non-cash items charged to the net surplus or deficit on the provision of services	(602)
20,016		**13,068**

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

2019/20 £000	Investing and Financing Items	2020/21 £000
(263)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(71)
(12,393)	Any other items for which the cash effects are investing or financing cash flows	(7,219)
(12,656)		**(7,290)**

Note 26. Investing Activities

2019/20 £000		2020/21 £000
(18,440)	Purchase of property, plant and equipment, investment property and intangible assets	(3,752)
(34,000)	Purchase of short-term and long -term investments	0
(1,256)	Other payments for investing activities	0
263	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	101
0	Purchases of short and long term investments	0
35,000	Proceeds from short-term and long-term investments	0
13,120	Other receipts from investing activities	10,065
(5,313)	**Net cash flows from investing activities**	**6,414**

Note 27. Financing Activities

2019/20 £000		2020/21 £000
15,963	Cash receipts of short and long term borrowing	0
0	Other Receipts from Financing Activities	0
0	Cash Receipts of short/long term borrowing	0
(535)	Cash Payments to Short/Long term borrowing	(4,536)
(3,367)	Other payments for financing activities	(2,392)
12,061	**Net cash flows from financing activities**	**(2,144)**

Note 28. Members' Allowances

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

2019/20 £000		2020/21 £000
360	Allowances	378
6	Expenses	0
366		**378**

Note 29. Senior Officer remuneration and staff over £50k 2020/21

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.

2019/20	£		£	2020/21
10	50,000	but less than	55,000	17
5	55,000	but less than	60,000	4
4	60,000	but less than	65,000	2
0	65,000	but less than	70,000	1
2	70,000	but less than	75,000	1
0	75,000	but less than	80,000	3
2	80,000	but less than	85,000	1
1	85,000	but less than	90,000	1
0	135,000	but less than	140,000	1
1	145,000	But less than	160,000	0
0	180,000	But less than	185,000	1
25				**32**

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.

2020/21 Post holder	Salary including allowances £	Election Fees £	Total remuneration Including allowances and fees £	Employer pension contributions £	Remuneration including pension contributions £
Managing Director	136,657	0	**136,658**	23,642	**160,299**
Corporate Director (Places)	87,036	0	**87,036**	15,057	**102,094**
Corporate Director (Places) David Edwards	180,142	0	**180,142**	0	**180,142**
Corporate Director (People)	84,383	0	**84,383**	14,598	**98,981**
Chief Operating Officer	75,665	0	**75,665**	13,090	**88,755**
Assistant Director (Transformation)	75,773	0	**75,773**	13,090	**88,863**
Assistant Director (Corporate Resources)	75,665	0	**75,665**	13,090	**88,755**
Chief Finance Officer (S151 Officer)	60,106	0	**60,106**	10,398	**70,504**

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	40,879	0	**40,879**	7,072	**47,951**
Assistant Director (Transformation) (3)	34,498	0	**34,498**	5,968	**40,466**
Assistant Director (Corporate Resources) (4)	17,720	0	**17,720**	2,065	**19,785**
Head of Resources (S151 Officer) (5)	37,332	0	**37,332**	6,337	**43,669**
Chief Finance Officer (S151 Officer) (6)	47,204	0	**47,204**	8,106	**55,310**

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 was 14/10/19
Note 3: The starting date of the Assistant Director - Transformation was 14/10/19
Note 4: The starting date of the Assistant Director - Corporate Resources was 03/02/20
Note 5: The end date of the Head Of Resources was 13/10/19
Note 6: The starting date of the Finance Manager was 10/06/19, with the Chief Finance Officer/S151 Role starting from 13/10/19

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.

2019/20 £000		2020/21 £000
41	External audit	53
12	Grant claim certification	24
53		**77**

Note 31. Grant Income

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

2019/20 £000		2020/21 £000
	Credited to taxation and non-specific Grant income	
2,038	New Homes Bonus	2,212
529	Other Non Ringfenced Grants	333
2,505	S31 Business Rates Relief	11,792
211	Capital Grants	527
4,945	**Total**	**14,864**
	Credited to Services	
28,624	Rent allowances	27,360
466	Benefits administration	471
1,442	Improvement Grants	1,495
1,332	Other	4,179
31,864	**Total**	**33,505**

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:

2019/20 £000	Grants Receipts in Advance - Capital	2020/21 £000
	Government grants	
	Decarbonisation Scheme Grant:	
0	One Leisure Ramsey	2,269
0	Pathfinder House	1,514
0		**3,783**

2019/20 £000	Grants Receipts in Advance	2020/21 £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:

2019/20 £000	Capital Grants Unapplied Account	2020/21 £000
1	Building Foundations for Growth	1
0	Godmanchester Mill Weir Grant	320
0	Insurance Contribution	119
33,938	Community Infrastructure Levy	37,273
33,939		**37,713**

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 2020/21 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 2020/21, the Council has paid:

- £4.575m to Cambridgeshire County Council (£4.237m for services and £0.338m for pension payments), and

- received £0.94m from the County Council.

(£4.005m paid to and £0.87m received from the County Council; 2019/20)

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	(3,433)	(1,853)	(91)
Legal Services	194		
Building Control	128		
CCTV	(253)		

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 2020/21 was £0.182m (2019/20, £0.319m), which represents 15% (2019/20, 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 £0.002m in 20/21 (2019/20, £0.003m).

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 97.

In respect of 2020/21:

- 44 members out of 52 members who served the Council returned a Related Party Transaction disclosure form.
- 13 officers out of 14 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 2020/21 £	Payments made by the Council 2020/21 £	Interest
S Giles, McGuire, Bywater, Gardener, D Giles, Chapman	Cambridgeshire & Peterborough Fire Authority	Members	*	8,197	MOU Contributions £5425 and Throwline Stations at Barford Road £2772
Tuplin	Sawtry Village Academy	Governor	0	250	Community Chest Grant 2020/21
Davies, Dickinson, Fuller	St Ives Town Council	Members	*	2,499	Think Local Christmas
Diaz, Sanderson, Shrapnel	Huntingdon Town Council	Members	*	2,544	Christmas Trees/Wreaths
Conboy	Pinpoint	CEO	0	1,000	Grant
Criswell	Somersham Parish Council	Member	*	2,000	Clinically Extremely Vulneable Grant
Criswell	Hunts Forum of Voluntary Organisations	Member	*	63,300	HDC Voluntary Sector Agreement £62,300 and Consultancy £1,000
Davies	The Friends of the Norris Museum	Member	0	500	Community Chest Grant
Gulson	Yaxley Parish Council	Member	*	1,240	Local Authority Emergency Assistance Gra
Neish	Holywell-Cum-Needingworth Parish Council	Member	0	818	Community Chest Grant 2020/21
Officers Lancaster & Morley, Councillors Conboy and Keane	HDC Ventures Limited	Directors	0	0	
Officer Morley	HDCV Security Services Limited	Director	0	0	
* There are transactions however they are not Related Party transactions					

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.

2019/20 £000		2020/21 £000
57,703	**Opening Capital Financing Requirement**	**71,824**
	Capital Investment	
2,912	Property, Plant and Equipment	2,432
141	Intangible Assets	141
2,353	Revenue Expenditure Funded from Capital Under Statue	3,110
0	Repayable Advances	0
14,655	Investment Property	2
816	Assets Under Construction	1,331
25	Infrastructure Assets	44
20,902		**7,060**
(567)	Capital Receipts	(966)
(1,653)	Grants and Other Contributions	(1,583)
0	Use of Earmarked Reserves	0
(143)	Capital Grants Unapplied Reserve – Community Infrastructure Levy	(1,863)
0	Capital Grants Unapplied Reserve – Other	(439)
(2,028)	Use of Earmarked Reserves – Commercial Investment Strategy	0
(2,300)	Minimum Revenue Provision	(2,602)
(90)	S106 Reserve	0
(6,781)		**(7,453)**
71,824	**Closing Capital Finance Requirement**	**71,431**
14,121	**Increase/(Decrease) in Underlying Need to Borrow**	**(393)**

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:

2019/20 £000		2020/21 £000
2,225	**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:

2019/20 £000		2020/21 £000
	Finance lease liabilities (net present value of minimum lease payments)	
545	Non-current	545
2,793	Finance costs payable in future years	2,754
3,338	**Minimum lease payments**	**3,299**

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

	Minimum lease payments		Finance lease payments	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Not later than 1 year	39	39	0	0
Later than 1 year and not later than 5 years	156	156	1	1
Later than 5 years	3,143	3,104	544	544
	3,338	**3,299**	**545**	**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 2020/21 £0.081m contingent rents were payable by the Council (2019/20; £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:

2019/20 £000		2020/21 £000
16	Not later than 1 year	6
6	Later than 1 year and not later than 5 years	0
22		**6**

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

2019/20 £000		2020/21 £000
13	Minimum lease payments	**13**

Service Concessions

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

<u>Council as Lessor</u>

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:

2019/20 £000		2020/21 £000
4,829	Not later than 1 year	4,448
10,209	Later than 1 year and not later than 5 years	9,805
26,382	Later than 5 years	23,926
41,420		**38,179**

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 2020/21 the Council has recognised impairments to Property, Plant and Equipment of £nil (2019/20; £ nil).

Note 36. Termination Benefits and Exit Packages

Compulsory Redundancy:
In respect of:

- 2020/21, the Council approved the compulsory redundancy of 29 employees
- 2019/20, the Council approved the compulsory redundancy of 5 employees

Other departures (Including Voluntary Redundancy):
In respect of:

- 2020/21, 0 voluntary redundancy were approved.
  In addition a further 4 employees left the council in 2020/21 with a Compromise agreement.
- 2019/20, 5 voluntary redundancy were approved.
  In addition a further 3 employee left the council in 2019/20 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 to less than £20,000	3	25	5	4	8	29	75	170
£20,000 to less than £40,000	1	2	3	0	4	2	102	62
£40,000 to less than £60,000	1	1	0	0	1	1	50	41
Greater than £60,000	0	1	0	0	0	1	0	63
	5	**29**	**8**	**4**	**13**	**33**	**227**	**336**

Note 37. Defined Benefit Pension Scheme

<u>Participation in Pension Schemes</u>

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.

<u>Valuation of Pension Fund</u>

The contribution rate is determined by the fund's actuary based on triennial valuations. The last valuation took place as at 31 March 2019.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.3% be applied for 2020/21, 2021/22 and 2022/23.
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:

2020/21 £1.584m
2021/22 £1.584m
2022/23 £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:

2019/20 £000		2020/21 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
7,172	Current Service Cost	5,912
153	Past Service Cost	0
	Financing and Investment Income and Expenditure:	
5,843	Net interest expense	4,826
(3,669)	Expected Return on Scheme Assets	(3,299)
9,499	**Total post-employment benefit charged to the deficit on the provision of services**	**7,439**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
(12,416)	Return on plan assets (Excluding the amount included in the net interest expense)	30,343
5,257	Actuarial gains and losses arising on changes in demographic assumptions	(2,946)
19,255	Actuarial gains and losses arising on changes in financial assumptions	(56,393)
16,153	Other experience	2,340
28,249		(26,656)
37,748	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(19,217)**
	Movement in Reserves Statement	
(9,499)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(7,439)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
4,348	Employer's contributions payable to the scheme	4,457
180	Retirement benefits payable to pensioners*	170
(4,971)	**Total Movement in Reserves Statement**	**(2,812)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2021 is a loss of £62.49m, and to the 31 March 2020 is a loss of £35.84m.

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 2020 £000		31 March 2021 £000
241,834	**Opening balance as at 1 April**	**209,410**
7,172	Current Service Cost	5,912
5,843	Interest Cost	4,826
1,040	Contributions by scheme participants	1,093
	Remeasurement (gains) and losses:	
(5,257)	***Actuarial losses/ (gains) from changes in demographic assumptions***	2,946
(19,253)	Actuarial losses / (gains) from changes in financial assumptions	56,393
(16,153)	Other	(2,340)
153	Past service costs/ (gains)	0
(5,789)	Benefits paid	(5,709)
(180)	Estimated unfunded benefits paid *	(170)
209,410	**Closing balance at 31 March**	**272,361**

* 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 2020 £000		31 March 2021 £000
152,753	**Opening fair value of scheme assets balance as at 1 April**	**143,605**
3,669	Interest Income	3,299
	Remeasurement gain/(loss)	
(12,416)	The return on plan assets (Excluding amount included in net interest expense)	30,343
4,348	Contributions by the employer	4,457
1,040	Contributions by employees into the scheme	1,093
180	Contributions for unfunded (Discretionary benefits)benefits*	170
(5,789)	Benefits paid	(5,709)
(180)	Unfunded (Discretionary benefits) benefits paid*	(170)
143,605	**Closing Balance at 31 March**	**177,088**

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. It should be noted that this year asset returns and values have been impacted by the Covid-19 pandemic.

The actual return on scheme assets in the year was £33.64m (2019/20; £(8.75)m).

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:

2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000		2020/21 £000
(212,691)	(215,939)	(241,834)	(209,410)	Present value of the defined benefit obligation	(272,361)
140,530	143,608	152,753	143,605	**Fair value of plan assets**	177,088
(72,161)	**(72,331)**	**(89,081)**	**(65,805)**	**Net liability arising from defined benefit obligation**	**(95,273)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £272.36m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £95.27m.

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 £4.46m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2022. With regard to discretionary benefits, there were no such awards in 2020/21 (2019/20; Nil).

Impact of the 31 March 2019 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 2019.

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. At the moment there is no evidence to support any changes to mortality rates arising from the Covid-19 pandemic so no allowance has been made for this. 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 2019. The results of this valuation were projected forward using approximate methods.

The main assumptions used by the actuary are as shown below:

2019/20	County Fund – Main Assumptions	2020/21
2.4%	Rate of increase in salaries	3.4%
1.9%	Rate of increase in pensions	2.9%
2.3%	Rate of discounting scheme liabilities	2.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.0 years	Men	22.2 years
24.0 years	Women	24.4 years
	Longevity at 65 for future pensioners	
22.7 years	Men	23.2 years
25.5 years	Women	26.2 years

Local Government Pension Scheme Assets Comprised:

Pension fund assets consist of the following categories, by value of the total assets held:

31 March 2020 £000		31 March 2021 £000
2,167	Cash and cash equivalents	2,733
2,167		**2,733**
	Debt Securities	
7,434	UK Government	7,905
7,434	**Sub-total debt securities**	**7,905**
	Private equity:	
11,779	All not in active markets	13,341
11,779	**Sub-total private equity**	**13,341**
	Real Estate	
10,745	UK Property	10,892
2	Overseas Property	2
10,747	**Sub-total Real Estate**	**10,894**
	Other investment funds:	
9,739	Bonds	20,549
12,948	Infrastructure	16,031
87,044	Equity	106,364
109,731	**Sub-total other investment funds**	**142,944**
	Derivatives:	
1,747	**Other**	(729)
1,747	**Sub-total Derivatives**	**(729)**
143,605	**Total Assets**	**177,088**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2020/21 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2021.

2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %		2020/21 %
6.88	(3.83)	18.32	(0.36)	3.87	Differences between expected and actual return on assets	(7.01)
1.01	0.19	(0.01)	0.07	7.71	Experience gains/ losses on liabilities	0.86

Sensitivity analysis:

Increase in assumption 31 March 2020 £000	Impact on the defined benefit obligation in the Scheme	Increase in assumption 31 March 2021 £000
3-5%	Longevity (increase or decrease in 1 year)	3-5%
1,804	Rate of increase in salaries (increase or decrease by 0.5%)	2,377
18,025	Rate of increase in pensions (increase or decrease by 0.5%)	24,734
(19,987)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(27,669)

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	**1,335**	**13**	**1,348**
Movement during 2019/20	608	0	608
Balance at 31 March 2020	**1,943**	**13**	**1,956**
Amounts used in 2020/21	(294)	0	**(294)**
Amounts charged to services 2020/21	121	0	**121**
Balance at 31 March 2021	**1,770**	**13**	**1,783**

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 £4.425m; of which £1.770m would have to be met by the Council, and £2.655m 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 £3.506m (2019/20; £3.653m)

2019/20 Estimated value of contingent liability £000	Details of Contingent Liability	2020/21 Estimated value of contingent liability £000
	Environmental Related:	
3,000	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 19 years (originally 30 years).	2,850
3,000	**Total for Environmental Related**	**2,850**

	<u>Corporate Related:</u> **Municipal Mutual Insurance Liquidation**	
653	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 2020/21 is the balance of the total claims paid by MMI on behalf of the Council.	656
653	**Total for Corporate Related**	**656**
3,653	**Total Contingent Liabilities**	**3,506**

The above litigations 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 £64.85m (2019/20; £33.41m) 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 2021 that this was likely to occur and there are no investments that as at 31 March 2021 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 uncollectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2021 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment Allowance 31 March 2021 £000	Impairment allowance 31 March 2020 £000
Sundry debtors	5,024	3.53%	3.53%	1,682	1,638

The Council does not generally allow credit for customers. The past due, but not impaired amount can be analysed by age as follows:

31/03/20 £000		31/03/21 £000
(7)	Less than three months	2,798
113	Three to six months	117
4,582	Six months to one year	772
1,906	More than one year	1,337
6,594		**5,024**

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 2021.

Financial Year	£000s
2021/22	267
2023/24	407
2037/38	5,000
2038/39	7,292
2039/40	11,963
2046/47	2,016
2047/48	2,483
2057/58	5,000
2058/59	5,000
	39,428

31/03/20 £000		31/03/21 £000
4,762	Less than one year	759
39,417	More than one year	38,884
44,179		**39,643**

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 2020/21 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	296CR
Impact on the surplus on the Provision of Services	296CR
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	6,963
(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 2021 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 £27,282 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2020/21. 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 £188,414 being recognised in the Other Comprehensive Income and Expenditure for 2020-21.

Foreign Exchange Risk

The Council does not hold foreign currencies and consequently has no exposure to loss arising from movements in exchange rates.

Collection Fund

Non-Domestic Rates 2019/20 £000	Council Tax 2019/20 £000	TOTAL 2019/20 £000		Non-Domestic Rates 2020/21 £000	Council Tax 2020/21 £000	TOTAL 2020/21 £000
			INCOME			
0	115,282	115,282	Council Tax Payers	0	120,815	120,815
62,856	0	62,856	Business Rates	40,996	0	40,996
(379)	0	(379)	Transitional Relief	(717)	0	(717)
62,477	**115,282**	**177,759**	**Total Income**	**40,279**	**120,815**	**161,094**
			EXPENDITURE			
			Contributions Prior Year (Deficit)/Surplus			
794	0	794	Ministry for Housing, Communities & Local Government	513	0	513
635	354	989	Huntingdonshire District Council	410	(907)	(497)
143	3,189	3,332	Cambridgeshire County Council	92	(4,764)	(4,672)
0	507	507	Cambridgeshire Police & Crime Commissioner	0	(809)	(809)
16	175	191	Cambridgeshire Fire Authority	10	(257)	(247)
1,588	**4,225**	**5,813**		**1,025**	**(6,737)**	**(5,712)**
			Precepts Demands and Shares			
28,796	0	28,796	Ministry for Housing Communities & Local Government	30,962	0	30,962
23,037	8,779	31,816	Huntingdonshire District Council	24,769	9,168	33,937
0	6,651	6,651	Parish Councils	0	7,253	7,253
5,183	81,021	86,204	Cambridgeshire County Council	5,573	85,430	91,003
0	13,749	13,749	Cambridgeshire Police and Crime Commissioner	0	14,623	14,623
576	4,368	4,944	Cambridgeshire Fire Authority	619	4,531	5,150
57,592	**114,568**	**172,160**		**61,923**	**121,005**	**182,928**
			Charges to the Collection Fund			
25	369	394	Change in Provision for Bad and Doubtful Debts	538	815	1,353
975	0	975	Changes in Provision for Appeals	(432)	0	(432)
217	0	217	Cost of Collection	218	0	218
909	0	909	Renewable Energy Retentions	1,145	0	1,145
638	0	638	Enterprise Zone Retentions	864	0	864
2,764	**369**	**3,133**		**2,333**	**815**	**3,148**
61,944	**119,162**	**181,106**	**Total Expenditure**	**65,281**	**115,083**	**180,364**
			Movement in Fund Balance			
(533)	3,880	3,347	(Surplus)/Deficit For Year	25,002	(5,732)	19,270
1,282	507	1,789	(Surplus)/Deficit Brought Forward 1 April	749	4,387	5,136
749	**4,387**	**5,136**	**(Surplus)/Deficit Carried Forward 31 March**	**25,751**	**(1,345)**	**24,406**

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 2021 Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A*	21	(11)	5/9	6
A	10,098	(1,877)	6/9	5,481
B	18,393	(1,900)	7/9	12,828
C	16,738	(844)	8/9	14,127
D	11,300	(209)	9/9	11,091
E	8,749	(81)	11/9	10,595
F	3,718	(18)	13/9	5,345
G	1,722	(4)	15/9	2,863
H	141	0	18/9	282
Total	**70,880**	**(4,944)**		**62,618**

Council tax charge per band D property for 2020/21 £1,925.18
Council tax charge per band D property for 2019/20 £1,855.39

3. Non Domestic Rates (NDR)

The uniform Business Rate set by the Government for 2020/21 was 51.2p (2019/20 50.4p).

Total rateable value at 31 March 2021 £151.93m.
Total rateable value at 31 March 2020 £151.62m.

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).

31 March 2020 £000	NNDR Appeals	31 March 2021 £000
3,882	**Opening Provision**	**4,858**
(904)	Write Offs in year	(121)
1,880	Contribution(from)/to Provision	(311)
4,858	**Closing Provision**	**4,426**

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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HUNTINGDONSHIRE DISTRICT COUNCIL
AUDIT OF ACCOUNTS 2020/21
NOTICE OF PUBLIC RIGHTS

Notice given in accordance with the Local Audit and Accountability Act 2014 and Section 15 of the Accounts and Audit Regulations 2015

Notice is hereby given that the unaudited Statement of Accounts for 2020/21 and the Annual Governance Statement have been prepared and published on the council's website. These are subject to change.

The Statement of Accounts includes the Narrative Report and the Annual Governance Statement prepared in accordance with the Accounts and Audit Regulations.

The Council's accounts are subject to external audit by **Mark Hodgson, Associate Partner, Ernst & Young LLP, 1 Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ.**

Members of the public and local government electors have certain rights in the audit process:

From 2nd August 2021 to 14th September 2021 inclusive (excluding weekends), between 9.30 am and 4.30pm, at Pathfinder House, St Mary's Street, Huntingdon any person interested has the opportunity to inspect and make copies of the accounts and books, deeds, contracts, bills, vouchers, receipts and other documents should contact Chief Finance Officer on 01480 388822 or Claire.Edwards2@huntingdonshire.gov.uk to discuss their requirements.

From 2nd August 2021 to the 14th September 2021, a local government elector for the area of the Council, or his or her representative, may by prior arrangement ask the auditor questions about the accounts. Please contact the auditor at the address above to make arrangements.

During this period, a local government elector for the area, or his or her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (under section 27 of the local Audit and Accountability Act 2014) and/or apply for a declaration that an item in the accounts is contrary to law (under Section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is to be made must be sent to the auditor at the address given above and copied to the Council at the address given below.

Dated 15th July 2021

Mrs Claire Edwards
Chief Finance Officer
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
PE29 3TN

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Approval for Publication of the 2020/21 Annual Governance Statement
Meeting/Date:	Corporate Governance Committee – 22 July 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 an Annual Governance Statement (AGS, **Appendix A**) . This document is produced in line with statutory regulations and are required to be approved by 'those charged with governance' and published on or before 1st August 2021.

In respect of the AGS, the main themes for 2020/21 are:
- Housing affordability
- Morbidity/growing number of years of ill health
- Wider economic environment
- Skill levels and educational attainment
- Partner agency operational pressures
- Environmental pressures

Recommendations:

1. Approve the Annual Governance Statement (**Appendix A**) and authorises the Executive Leader and Managing Director to sign the Statement on behalf of the Council.

1. PURPOSE OF THE REPORT

1.1 To complete the processes for finalising and publishing the Council's Annual Governance Statement (AGS) for 2020/21.

2. BACKGROUND

2.1 The Corporate Governance Committee is designated as 'those charged with governance' and consequently it is required to approve the AGS prior to publication by the statutory deadline 1st August.

3. APPROVE THE ANNUAL GOVERNANCE STATEMENT

3.1 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 **Appendix A.**

3.2 A copy of the draft AGS has been previously circulated to all Committee members and no comments has been received.

3.3 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

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

- Achieved underspend of £0.248m against a budget of £17.282m
- Net contribution to reserves of £1.210m
- Continued to maintain General Fund Reserves at 15% of net expenditure
- Delivered acquisitions of £11.418m in relation to the Commercial Investment Strategy as a part of the on-going £30m business plan

3.5

4. KEY IMPACTS

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

5. LINK TO THE CORPORATE PLAN

5.1 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.

6. CONSULTATION

6.1 In line with the Account and Audit regulations for 2020/21.

7. LEGAL IMPLICATIONS

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

8. RESOURCE IMPLICATIONS

8.1 There is a specific budget for the Audit Fees.

9. REASONS FOR THE RECOMMENDED DECISIONS

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

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

10. LIST OF APPENDICES INCLUDED

Annex A – 2020/21 Annual Governance Statement (Draft)

BACKGROUND PAPERS

CONTACT OFFICER

Claire Edwards, Chief Finance Officer
Tel No: 01480 388822

Deborah Moss, Internal Audit Manager
Tel No: 01480 388475

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Huntingdonshire District Council

Annual Governance Statement 2020/21

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 largely 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;

The issues identified as a significant governance issue and the progress made by management throughout the future financial year 2021/22 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 2021 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 • Codes of conduct	• 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).

- 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 2020/21 is outlined in the Statement in **Appendix 1**. The impacts of Covid-19 experienced in 2020/21 onwards 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 2020/21 made by the external auditors and other review agencies and inspectorates. During 2020/21, the works undertaken by the Internal Audit team was reduced but sufficient to be able to form the view for the Annual Internal Audit Opinion that the Council's governance, internal control environment and systems of internal control provides **adequate** assurance over key business processes and financial systems. However, a limitation of scope was placed on the aspect of risk management, which is excluded from the opinion as there is insufficient assurance available to offer reasonable assurance for this area.

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 2020 undertaken by Ernst and Young was reported to the Audit Committee which concluded the accounts and working papers for the 2019/20 closure process were of high quality. The Council 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. An additional resource was agreed to give confidence to the audit plan for 2020/21. However, the overall resources/number of days was much decreased for the year. The effect of the pandemic last year meant that internal audit resource was redeployed to more urgent financial business and, as such, internal audit activity was suspended temporarily for the first half of the year.

Arrangements and Governance during Covid

For the first part of the year, The Council's Business Continuity Plan was invoked in March 20, enhanced management arrangements were put in place with a structure based on Gold (strategic), Silver (tactical) and Bronze (operational) groups including key system partners, to facilitate rapid responses to the evolving position, support appropriate decision making (including the use of emergency powers as allowed for in the Councils Constitution), clear communication and inter-agency cooperation. Although this structure remains in place, from December 2020, the frequency of meeting reduced and some of the individual groups were amalgamated as the intensity of the response lessened and practices had become well established.

The Council was able to take advantage of its recent 'Council Anywhere' IT programme which facilitated Services and officers to immediately commence working from home. Most services were able to continue their provision with some practical adjustments. A few services were paused and their officers redeployed to alternative Covid work streams such as emergency food parcels, business support grants, working with local parish councils and community groups. Leisure facilities were closed and staff were assessed for redeployment or furloughed. Staff welfare was paramount and staff with medical or other factors were highlighted where 'vulnerable' and furloughed where they could not work from home or be redeployed. Risk assessments were prepared for all necessary working areas/processes to ensure not only the safety of staff but also the customers with whom they may come into contact.

Committee meetings were postponed initially in lockdown, until legislation was amended allowing councils to hold meetings in a virtual environment. Teams and Zoom were used to facilitate these meetings, enabling the decision-making process to be recorded and documented as before.

COVID led to pressures in relation to the collection of both Council Tax and Business Rates as residents livelihoods were affected and businesses struggled under lockdown arrangements. The Council relaxed compliance measures in relation to Council Tax and Business Rates collection and allowed Council Taxpayers and businesses to defer payments for the first three months of 2020/21 with revised payment plans over July to March 2021. It is clear that Collection Fund (Council Tax and Business Rates) debt has increased and the limited opportunities to pursue recovery at the Magistrates Court proved problematic. The Council received £0.827m from the Government in the form of a Hardship Fund to provide £150 Council Tax relief for Council Taxpayers of working age in receipt of Council Tax Reduction.

A lessons-learnt log has been maintained and assessed for future needs and will be fed into the risk register. The Business Continuity Plan is planned to be refreshed in light of emerging issues. An exercise has been carried out to re-prioritise all business systems and processes on a time-critical basis to support the BCP.

Initial engagement with the leader/deputy leader was on a daily basis with the Corporate Leadership Team and on a weekly basis with the wider cabinet members in escalating issues/decision

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		Audit Actions	
		Red	Amber
Substantial			
	Budget Monitoring & Forecasting 20.21	0	1
Adequate			
	ICT Maintenance Schedule Planning 20.21	0	3
	Treasury Management 20.21	0	2
	Budgets and MTFS 20.21	0	2
	Digital Services Management 20.21	0	9
	CA - Council Tax & Non-Domestic Rates (quarterly review)		1
	CA - Housing Benefits – Creditors (quarterly review)		-
	CA - Housing Benefits – Debtors (quarterly review)		-
	CA - Main accounting system (quarterly review)		5
	CA - Accounts payable (Creditors) (quarterly review)		4
Limited			
	'My Dashboard' / Sickness Monitoring 19.20 **	0	2
	ICT - Cyber Security 20.21	4	3
	ICT - Cloud Services 20.21 *	2	2
	Estates Contractors Review 20.21		
	CA - Accounts receivable (Debtors)		1

Audit area		Audit Actions	
		Red	Amber
No opinion given			
	Disabled Facilities Grants District Certification 19.20	-	-

** Draft report status (as at 30/06/2021).*

*** Relates to Plan 19.20 but report issued in 20.21*

CA = a continuous audit, quarterly reviewed.

* As the Internal Audit Service was redeployed for most of the year, these reviews were only carried out for quarters 3 & 4. However, Q3's reviews included a 'catch-up' whereby quarters 1 & 2 were encompassed within the review. A quarter 4 /end of year review has been undertaken in all areas and an audit opinion and agreed audit actions to redress any recurring/outstanding issues were provided.

Significant Governance Issues 2020/21

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

Area of Assurance	Issue/Gap	Action Plan Proposal
ICT - Cyber security (x 4 red actions)	Staff not provided with adequate cyber-security risk training and awareness.	Audit action (monitored through 4Action): • Review to assess content, delivery method and quality of user education programmes for Council's cyber/IT security • Harmonise education packages • Awareness training focussed on phishing and social engineering • Education to users on annual basis and bi-annual refresher sessions • Mandatory for new starters • Training completion monitored and record maintained.
	Endpoints with outdated Anti-Virus definitions.	Procedure in place to apply anti-malware signature updates to devices that do not connect to the Councils' IT network on a routine basis. Includes a process to restrict any non-complying devices connecting to the Councils' IT network.
	Unsupported operating systems in use on the Council's network.	Audit action (monitored through 4Action): • migration plans of unsupported Windows systems is recorded and tracked to completion. • included within the Council's ICT Risk Register and take steps to decommission these devices as soon as possible.
	Excessive number of Domain Administrator privileged accounts.	Audit action (monitored through 4Action): • Track ongoing reduction of domain administrator accounts • Privileged network accounts reviewed on regular basis to ensure no of accounts controlled.
Finance	Critical over-dependency on one key officer Only one professionally qualified officer No deputy S.151	New Finance Business Partner recruited will be professionally qualified (CIPFA). Finance Business Partner job role will include Deputy S.151 designation.
Role of Chief Finance Officer	CFO position – not sitting at CLT / not part of key decision making	S.151 Officer is now part of the Works Program Board, Corporate Senior Leadership Team monthly meeting and Operations Board (the governance structure)
ICT - Cloud Services (red audit action)	No documented information held about each applications' dependencies which could be used to assess the applications' feasibility for projected migration plans.	Audit action (monitored through 4Action): • Determining agree criteria for assessing migration to cloud • Defined framework to ensure all potential scenarios factored into the criteria
ICT - Cloud Services (red audit action)	Once applications have been hosted, there is no further risk assessment made to review	Audit action (monitored through 4Action): • Corporate Applications Roadmap drafted to ensure which applications the councils would

	effectiveness of the hosted landscape. Additionally, there is no plan to further assess applications where it is currently not appropriate to migrate them.	migrate to the cloud as well as which must be migrated to the cloud. • Management will assess possible dependencies of each system.
Towns Programme	Loss of resourcing – the two interim officers are planned to leave in the short term (July & September). First recruitment campaign was unsuccessful; this is being tried again but there is a risk of being unfulfilled and a further risk of no time for a handover period. Capacity & capability risks and issues need to be resolved to continue the programme.	Action plan being formulated.
Accounts Receivable /Debtors Service	This area continues to receive a limited assurance opinion.	Systems, processes and resources needs will be reviewed across the whole Debtors function. An action plan will be established, in conjunction with the team, to support delivery of improvements and address the control filings identified during the quarterly reviews.
Project Management	Number of key projects that pre-date new project management processes that are highlighted as failing. The Work Programme spreadsheet shows that some projects are flagging red or amber/red. There are reported issues with governance; non-compliance and cultural issues.	Work Programmes Board to provide updates on actions decided to be taken. All actions to be recorded by Board and monitored for compliance progression.
Data Protection Officer (DPO)	The post is recently vacant due to postholder leaving. The DPO is a statutory role. It also covers the other 3Cs authorities under contractual obligation. The Deputy post is also vacant with an Acting postholder, who is not cannot fulfil the DPO role. A recent recruitment exercise was unsuccessful for the DPO role. Another is planned but, if successful, is unlikely to result in an immediate starter leaving the notice period of x months without a DPO.	• Recruiting to Recruiting to longer term permanent role and short-term temporary cover • Offer of assistance for critical incidents from Peterborough and Cambridgeshire DPO • ICO helpline if needed • Third party legal providers can provide short term cover on an hourly basis if needed.
Payment Cards Industry compliance	Risk of non-compliance with some of the PCI requirements.	• Self-assessment to be undertaken to understand any areas of non-compliance and action plan prepared to progress • Training of relevant handling staff

Significant Governance Issues 2019/20 - updated

Area of Assurance	Issue/Gap	Action Plan Proposal	Progress @ May 2021
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	The risk register has been restructured to reflect the changes in organisational structure at the Council, and to rationalise the current risks listed. All entries have been 'reviewed' and re-dispositioned so to then validate with assigned owners. The next stage will be to engage with Services to allow them to identify and assess their risks and repopulate/rebuild the risk register.
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	• Ownership to be appointed. • To investigate lone worker systems that can operate within its 24 hour CCTV function.	Through the new Services collaboration forum, advice recommends that Services with LW issues should conduct a risk assessment and a holistic view of the need understood.

	employees at work. A lack of protocol over lone workers could risk employees' safety and a breach of legislation.	• 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.	Services have been asked to identify and categorise their lone worker posts in order to assess the extent of the provision needed.
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.	Internal Audit Manager now in post (April 2021). Recruitment efforts are ongoing to backfill the now-vacant Internal Auditor post.
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.	Work is progressing on areas identified. Updates are provided to the Information Governance Committee each quarter. Key areas that have progressed in the last quarter include the circulation of the Information Asset Templates in order to develop a central register.
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.	HR have investigated the users and informed ICT. IA have asked ICT to confirm that corrective action has been taken and user accounts closed where applicable. ICT also need to set up a regular review process whereby HoS confirm their users are still current and legitimate to prevent this from happening again. This is also supported by a leaver's notification process to ICT.
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.	The appointed Procurement Officer left the post due to personal reasons before the end of the probation period. The post was advertised and an offer has been made to a candidate from local public sector organisation, to take up the vacant position. Role now filled *(5 Jul 21)* ***Issue completed.***
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 to establish a PMO delivery process • Many programmes and projects are already underway • Internal Audit to carry out a follow up review.	PMD continues to evolve into a flexible and responsive function to add appropriate level of oversight and governance to programmes and projects based on risk, value and complexity. • Formal governance structure has been established, comprising the Work Programme Board, the PM Steering Group and the Gateway model (applied to each programme / project) • Capital schemes will follow the same process from project inception and business case to lessons learned. • Finance is represented on both the Work Programme Board and Steering Group to ensure robust challenge and oversight throughout the project.

			Internal Audit to undertake a further review when processes have had time to embed, and when capital schemes are following these new procedures.
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.	A list of outstanding reports has been formally reported by the R&C Board to Corporate SLT for action. Progress has been made to finalise and close outstanding reports; a recent surge effort by IA has via escalation to Corporate Leadership level has improved response.
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 employees may not have sufficient training or awareness.	• 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 • A system for monitoring all training	The IG Training Needs has been developed and communicated to the IG Group. The LMS System is now live; The IG team are currently working with the Transformation team and HR on reporting. An update on the outcome of this was reported to the Information Governance Committee in May. Now part of mandatory training for new starters. Info Security training sessions offered to all Members.
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.	Continuing as per last update: At present, Gold command is still active to help respond and provide resources for continued support within the community in relation to the Covid 19 pandemic. A separate cost centre was set up to capture costs associated with responding to Covid 19 pandemic. During 20/21, central government has provided significant support in terms of the one-off costs associated with responding to the pandemic, this support will continue in 21/22. Recognition has also been provided by central government in support loss of income for services affected by the closure of leisure and retail activities. The Income Compensation Scheme has provided Local Authorities affected by this to claim back 75p in the £1, after deducting 5% of the total expected budgeted income for that activity. NNDR and CTAX will continue to be a concern going into 21/22 with ongoing pressure around collections. Central Government have provided mechanisms to spread 20/21 deficits over 3 years and will also allow Local Authorities to claim compensation for irrecoverable losses. Balanced budget has been approved (Feb 21).

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 2020/21 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

16th July 2021
Signed on behalf of Huntingdonshire District Council

Appendix 1

Annual Governance Statement 2020/21

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.	✓

2020/21 achievements

The focus of our work is on earlier intervention where possible to help achieve successful homelessness preventions. This has been aided by multi agency pathways and protocols across a range of other partners to help identify earlier intervention opportunities. This has been a key part of our Covid-19 response to ensure that those most at risk to the threat of rough sleeping have been assisted during the pandemic.
Maximised spend on Discretionary Hardship Fund to help people with their housing costs - £287k awarded. Continued to award Hardship Fund payments to working aged people claiming Council Tax Support - £632k awarded
Although use of hotels and B&Bs increased for single rough sleepers as part of the 'Everyone In' pandemic response, this accommodation is not used for families with children. A further 22 short term lets provided by Chorus will come online in April 2021 as the conversion of an outdated Sheltered scheme to this use is completed.
New Housing Strategy adopted October 2020. Also the sale of 13 parcels of land held by the Council for the delivery of affordable homes was approved by Cabinet in October 2020.

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	✓

2020/21 achievements

Closures of the leisure industry dictated that the service was only able to deliver face to face activity for 5 months of the year with severe restrictions around what could and could not be delivered during those months. Online services were developed but had limited uptake as customers responded to surveys stating that they valued the human interaction and therefore found alternatives during periods of closure.

Whilst recovery commenced on two occasions, subsequent decisions to shut down facilities and activities meant that by the end of the financial year only outdoor activities had resumed (for 3 days). Online services via the Training Shed App and Classes were delivered as an alternative for those that were seeking support.

The new park, named Berman Park, opened for public use on the Easter weekend.

Work with protecting and increasing the biodiversity of our open spaces was put on hold due to covid-19. Anticipated delivery is now Q2 2021/22.

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.	✓

2020/21 achievements

The Future High Streets Fund (FHSF) has been confirmed for St Neots and the individual projects are being developed, along with a communications and engagement strategy. Master planning feasibility briefs are being developed for St Ives, Huntingdon and Ramsey. In addition, the accelerated towns programme (Cambridge & Peterborough Combined Authority) is underway with a series of projects to be implemented by March 2022

This has secured £3.7m MHCLG funding for FHSF; £3.2m CPCA funding toward the FHSF. In addition, bids to the CPCA Market Towns Fund bid have been submitted, including the accelerated fund (across Huntingdon, St. Ives and Ramsey) and the longer-term fund to initiate masterplan/feasibility studies for Huntingdon, St Ives and Ramsey. In addition, A141 study continues, and St Ives study to commence.

Continued work with partners to develop the Ox-Cam growth corridor. The Ox-Cam Non-Statutory Spatial Framework is to be launched, together with a CEO to engage MHCLG on 'place shaping' opportunities within this space.

Officers continue to work with the CPCA (Market Towns, A141, St Ives study) to ensure infrastructure is enabled. In addition, working collaboratively with Highways England/Cambridgeshire County Council/South Cambridgeshire District Council on the A428 and will also work with partners on East West Rail as it moves toward Development Consent Order.

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.	✓

2020/21 achievements

A plan has been developed around the implementation of six community-based job clubs across Huntingdonshire. Social Echo located in Yaxley launch on 1st June 2021 with face to face and online courses, skills and employment support available. Brampton have received their training and will also launch on 1st June 2021. Discussions underway with St Neots partners in relation to a shared offer with Diamond Hampers. 'Payment by Results' type funding offered to the Job Clubs by Cambridgeshire Skills.

Developing Oxmoor initiative has been slowed by the pandemic but initiatives have continued, and a number of new projects have got underway. This includes the opening of a community fridge based within a primary school that since 25th March 2021 has issued 1418.43kgs of food that would have otherwise gone to landfill. The offer will expand to cover hygiene products from 25th May 2021. Funding has also been secured from the Office of the Police and Crime Commissioner to jointly fund a post within St Peters school that will work directly with male pupils at risk of becoming a victim or a perpetrator of crime, disorder or anti-social behaviour (ASB). The project will focus on keeping aspirations high.

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.	✓

2020/21 achievements

We have continued to work with CPCA in delivering projects into the district to enhance open space and environmental activities, as well as supporting activities because of responding to the impact of the covid-19 pandemic. The council has successfully accessed funding in the region of £1.8m

Work underway with Hunts Forum to review the definition of Recognised Organisations potentially into a tier system. This will be mean that more community and voluntary organisations will be eligible for receiving the recognition and in turn increase the opportunities for volunteering
During this financial year the Council has continued to work with partners across the public sector to respond to and deliver much needed support to the residents and businesses of Huntingdonshire and the wider area within Cambridgeshire and Peterborough affected by the impact of covid-19.

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.	✓

2020/21 achievements

A new Waste Minimisation Strategy and a Waste Minimisation Action Plan were approved at Cabinet in December 2020. Projects are in place to support the objects set out in the strategy:

- Reduce the amount of waste that is collected from households through our kerbside collections.
- Achieve a greater than 60% diversion of waste from landfill in line with the council's manifesto pledge.
- Improve the quality of the recycling material we collect by maintaining contamination levels below 7%.

Electrical Vehicle Charging points have been installed across car parks in St Neots, St Ives and Huntingdon. The charging points are already being used and have provided the following energy to vehicles so far: April: 836kWh, May: 324kW. With EV cars travelling between 2.8 & 3.5 miles per kWh, this means that our total of 1,160 kWh supplied has enabled over 3,248 miles of cleaner travel in the 5-6 weeks they have been in operation.

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