Huntingdonshire
DISTRICT COUNCIL

A meeting of the **CORPORATE GOVERNANCE COMMITTEE** will be held as a **REMOTE MEETING VIA ZOOM** on **THURSDAY, 23 JULY 2020** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

AGENDA

APOLOGIES

1. MINUTES (Pages 5 - 12)

To approve as a correct record the Minutes of the meetings of the Committee held on 22nd January and 17 June 2020.

Contact Officer: H Peacey - (01480) 388007

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary and other interests in relation to any Agenda Item.

Contact Officer: Democratic Services - (01480) 388169

3. DRAFT 2019/20 ANNUAL FINANCIAL REPORT (Pages 13 - 122)

To receive a report from the Finance Manager on the Draft 2019/20 Annual Financial Report.

Contact Officer: C Edwards - (01480) 388822

4. INTERNAL AUDIT SERVICE: ANNUAL REPORT 2019/20 (Pages 123 - 140)

To consider a report by the Acting Internal Audit Manager on the annual audit report and opinion.

Contact Officer: D Moss - (01480) 388475

5. EXTERNAL AUDIT PLAN 2019/20 (Pages 141 - 188)

To receive an update from the Finance Manager on the External Audit Plan for 2019/20.

Contact Officer: C Edwards - (01480) 388822

6. **APPROVAL FOR PUBLICATION OF THE ANNUAL GOVERNANCE STATEMENT**

To receive a report by the Corporate Director (People) (to follow).

Contact Officer: O Morley - (01480) 388103

7. **CODE OF FINANCIAL MANAGEMENT 2020/21** (Pages 189 - 208)

To consider a report by the Finance Manager on the outcome of the annual review of the Code of Financial Management.

Contact Officer: C Edwards - (01480) 388822

8. **INTERNAL AUDIT PLAN 2020/21** (Pages 209 - 218)

To consider and approve the Internal Audit Plan 2020-21.

Contact Officer: D Moss - (01480) 388475

9. **ANNUAL REPORT OF THE COMMITTEE** (Pages 219 - 232)

To consider the Annual Report to the Council in respect of the year ending March 2020 on the work that has been undertaken by the Corporate Governance Committee.

Contact Officer: D Moss - (01480) 388475

10. **CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT** (Pages 233 - 234)

To receive the Corporate Governance Committee Progress Report.

Contact Officer: H Peacey - (01480) 388007

15 day of July 2020

Head of Paid Service

Disclosable Pecuniary Interests and Non-Statutory Disclosable Interests

Further information on Disclosable Pecuniary Interests and Non - Statutory Disclosable Interests is available in the Council's Constitution

Filming, Photography and Recording at Council Meetings

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Arrangements for these activities should operate in accordance with guidelines agreed by the Council.

Please contact Habbiba Peacey, Democratic Services Officer, Tel: 01480 388169 / email: Habbiba.Peacey@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Agenda and enclosures can be viewed on the District Council's website.

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 22 January 2020.

PRESENT: Councillor L W McGuire – Chairman.

Councillors G J Bull, S M Burton, E R Butler, Dr P L R Gaskin, D A Giles, H V Masson and R J West.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors P Kadewere, J P Morris and Mrs S R Wilson.

38 MINUTES

The Minutes of the meetings of the Committee held on 2nd October and 13th November 2019 were approved as a correct record and signed by the Chairman.

39 MEMBERS' INTERESTS

No declarations were received.

40 ANNUAL REPORT ON HDC COMPLIANCE WITH THE FREEDOM OF INFORMATION (FOI) & ENVIRONMENTAL INFORMATION REGULATIONS (EIR) ACTS

(At 7.04pm, during discussion on this item, Councillor D A Giles took his seat at the meeting).

With the aid of a report prepared by the Information Governance Manager / Data Protection Officer (a copy of which is appended in the Minute Book) the Committee received the annual report on the Council's compliance with the Freedom of Information Act (FOI) 2000 and Environmental Information Regulations 2004. Information was also received on the Council's performance in respect of protecting personal data over the period January to December 2019.

In introducing the report, the Information Governance Manager reported that there had been a drop in the number of requests received by the Council in 2019 when compared with the previous year at 615 and 789 respectively. Having had their attention drawn to the breakdown by type of request and the number of cases per service, it was noted that Community Services had received the most requests. Over the reporting period, there had been four breaches of personal data where documents had been sent in error to incorrect recipients either by letter or email. All cases had been resolved internally and did not require reporting to the Information Commissioner's Office. Staff training and awareness of data protection will be a focus point this year which would include e-learning, face to face training, staff drop-in sessions and better use of the Information Governance Champions.

Having received assurances that the data presented within the report related to Huntingdonshire, Councillor D A Giles queried the reasons why the outcome of an FOI request would be that information could not be released on the grounds of commercial sensitivities. The Information Governance Manager responded that prior consent must be obtained from third parties who can indicate their wish for the information not to be disclosed. In such cases, a justifiable reason for withholding content should be provided.

Other matters that were discussed included the statutory timeframe for receiving responses, whether holding replies were sent to requestors, trends in data, the role of the Information Governance Group in engaging with managers and a recent data protection incident which led to sensitive information being published on the Council's website. Having made a request for future reports to include previous years' data for comparable purposes, the Committee

RESOLVED

(a) that the contents of the report now submitted be noted; and

(b) that future reports include previous years' performance data.

41 CODE OF CONDUCT COMPLAINTS - UPDATE

By means of a report by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book), the Committee were provided with a summary and update of completed and ongoing complaints received regarding alleged breaches of the Code of Conduct under the Localism Act 2011 since the start of the year. In response to a question raised by Councillor G J Bull, it was confirmed that all breaches were investigated regardless of whether the Town or Parish Council had adopted the District, National or their own Code of Conduct. Whereupon, it was

RESOLVED

that the progress of outstanding complaints and the conclusion of cases resolved since the last meeting be noted.

42 UPDATE ON CODE OF CONDUCT AND REGISTER OF DISCLOSABLE PECUNIARY INTERESTS

With the aid of a report prepared by the Member Support Assistant (a copy of which is appended in the Minute Book) the Committee were updated on the adoption of Codes of Conduct by Town and Parish Councils and the receipt and publication of register of interests forms on behalf of District, Town and Parish Councillors. It was noted that seven Parish Councils were due to return Disclosable Pecuniary Interest forms and that 52 seats remained vacant.

Pursuant to the October 2019 meeting, Members briefly discussed the Committee on Standards in Public Life (CPSL) review. A public consultation would be launched in Summer 2020 with early indications revealing that there might be a move towards the adoption of a National Code of Conduct for Members and more weightier sanctions. Whereupon, it was

RESOLVED

that the contents of the report now submitted be noted.

43 COMMUNITY GOVERNANCE REVIEW - HOLME PARISH COUNCIL

Pursuant to Minute No. 19/30 and with the aid of a report prepared by the Elections and Democratic Services Manager (a copy of which is appended in the Minute Book), the Committee were updated on the Community Governance Review of Holme following a request from the Parish Council to increase its size from 7 to 9 Members.

As part of the Review, Members were advised that a consultation had taken place between 3rd October and 14th November 2019 where three representations in support of the increase had been received. The Parish Council had identified their preference for an implementation date of 7th May 2020. Having noted that the cost of the referendum would be borne by the Parish Council and the requirement for the Council to draft a Reorganisation of Community Governance Order, the Committee

RESOLVED

(a) to approve the increase in membership of Holme Parish Council from 7 to 9 Parish Councillors; and

(b) to recommend to Council to approve the drafting of a Reorganisation of Community Governance Order to be made in accordance with the Local Government and Public Involvement in Health Act 2007 for Holme Parish Council.

44 LEAD AND DEPUTY INDEPENDENT PERSONS

Consideration was given to a report by the Elections and Democratic Services Manager and Deputy Monitoring Officer (a copy of which is appended in the Minute Book) recommending the re-appointment of the Lead and Deputy Independent Persons for a further two-year period. The Localism Act 2011 required Councils to appoint one or more Independent Persons and the current postholders' terms of office were due to expire on 30th April 2020.

Having been informed that the existing postholders had indicated they were willing to continue in their respective roles and on the basis that they made valuable contributions by providing impartial advice and had excellent working relationships with the Monitoring Officer and Deputy Monitoring Officer, it was

RESOLVED

that the Council be recommended to re-appoint Mrs Gillian Holmes and Mr Peter Baker to the posts of Lead and Deputy Independent Persons respectively for a further two-year period to 30th April 2022 without the need for further ratification in each year by the Council at its Annual Meeting.

45 IMPLEMENTATION OF INTERNAL AUDIT ACTIONS

With the aid of a report prepared by the Internal Auditor (a copy of which is appended in the Minute Book) the Committee were updated on the implementation of audit actions.

Having had their attention drawn to the five audit actions that remained outstanding, it was noted that one action was within a year of the originally agreed implementation deadline and the remaining four were more than one year old. In response to questions, the Internal Auditor confirmed that timescales were set by Service Managers in conjunction with the Internal Audit Service and that extensions had been agreed and granted as necessary. Members questioned the validity and relevance of the older actions assigned to the Finance Manager. In doing so, the Corporate Director (People) confirmed that that the delays were attributed to the embedding of a new finance system and that all actions remained live and current.

RESOLVED

that the content of the report now submitted be noted.

46 PROGRESS ON ISSUES ARISING FROM THE 2018/19 ANNUAL GOVERNANCE STATEMENT

By way of a report by the Corporate Director (People) (a copy of which is appended in the Minute Book) the Committee were acquainted with progress made to date in introducing the five key improvement areas contained within the 2018/19 Annual Governance Statement (AGS).

In introducing the report, the Corporate Director (People) acquainted Members with the background and context of the AGS and the shift towards a more outward facing Statement which would see the Council working more strategically and collaboratively with partner agencies. Councillor H V Masson raised a number of questions around the level of insurance the Council had to mitigate against counter party risks, data permissions chains with partner agencies and the use of artificial intelligence within the Council. In terms of the latter, it was reported that the Council was not actively using artificial intelligence within its business operations but that work was underway to enhance the use of online forms to included pre-filled text options.

Following a brief discussion on how town centres could be innovated and revitalised to encourage footfall and economic success and having been informed of a minor textual amendment to be made to the recommendation contained within the report, it was

RESOLVED

that the Committee note and take into account the progress that has been made in introducing the key improvement areas arising from the 2018/19 Annual Governance Statement when undertaking their 2019/20 governance review.

47 CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received and noted a report (a copy of which is appended in the Minute Book) on progress of actions in response to any decisions taken at previous meetings.

RESOLVED

that the contents of the report be noted.

Chairman

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HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE COMMITTEE held as a Remote Meeting via Microsoft Teams on Wednesday, 17 June 2020

PRESENT: Councillors G J Bull, S M Burton, E R Butler, Dr P L R Gaskin, D A Giles, K P Gulson, P Kadewere, H V Masson, L W McGuire, J P Morris, R J West and Mrs S R Wilson.

1 ELECTION OF CHAIRMAN

RESOLVED

that Councillor G J Bull be elected Chairman of the Committee for the ensuing Municipal Year.

2 MEMBERS' INTERESTS

No declarations of interest were received.

3 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

that Councillor P L R Gaskin be appointed Vice-Chairman of the Committee for the ensuing Municipal Year.

Chairman

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Draft 2019/20 Annual Financial Report
Meeting/Date:	Corporate Governance Committee – 23 July 2020
Executive Portfolio:	Councillor J A Gray – Executive Councillor for Finance and Resources
Report by:	Finance Manager
Ward(s) 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 November rather than 31st July. Therefore, draft statements need to be approved by 31st August or earlier.

At this time, the publication of the draft AGS has not been finalised and will follow in due course.

In respect of the Unaudited AFR, members should note:

- Achieved underspend of £0.265m against a budget of £17.157m
- Net contribution to reserves of £1.778m
- Continued to maintain General Fund Reserves at 15% of net expenditure
- Delivered acquisitions of £14.678m in relation to the Commercial Investment Strategy as a part of the on-going £30m business plan
- Delivery of Business Rates growth within the Enterprise Zone of £0.638m

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 31st July 2020. However, the Council has prepared a draft Unaudited AFR and a Notice of Publication (**Appendix B**) for publication.

Recommendation(s):

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 2019/20.

2. WHY IS THIS REPORT NECESSARY/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 2019/20 has been another challenging year for the Council with the continued pressure on Government funding. During 2019/20 the Council has continued to deliver against its corporate objectives and budget.

3.2 The financial position reported in the AFR sets the foundation for the Council to strive to become financially independent from Central Government, in light of the continued spending reviews and the Fair Funding Review promised by Central Government.

The key tools of this strategy include:

- Continued implementation of the Commercial Investment Strategy
- Comprehensive review of all budgets
- Adoption of a Transformation Programme looking at enterprising and collaborative solutions

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

- Achieved underspend of £0.265m against a budget of £17.157m
- Net contribution to reserves of £1.778m
- Continued to maintain General Fund Reserves at 15% of net expenditure
- Delivered acquisitions of £14.678m in relation to the Commercial Investment Strategy as a part of the on-going £30m business plan

4. KEY IMPACTS / RISKS

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

5. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

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 1 June to 10 July 2020 (pre-agreed with EY prior to change in regulations).

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

CONTACT OFFICER

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Huntingdonshire District Council

Draft Annual Financial Report

For the year ended 31st March 2020

Contents

Annual Financial Report

Narrative Report 4
Commentary and Review of 2019/20 .... **4**
The Financial Statements **18**
Movement in Reserves Statement (MiRS) **18**
Technical Information **20**
Independent Auditor's Report to the Members of Huntingdonshire District Council **21**
Statement of Responsibilities **22**
Chairman's Approval of the Statement of Accounts **23**

Statement of Accounts

Main Financial Statements

Movement in Reserves Statement **24**
Comprehensive Income and Expenditure Statement (CIES) **25**
Balance Sheet **26**
Cash Flow Statement **27**

Notes to the Accounts

Note 1. Accounting Policies **28**
Note 2. Accounting Standards that have been issued but have not yet been adopted **44**
Note 3. Critical Judgements in Applying Accounting Policies **44**
Note 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty **45**
Note 5. Material Items of Income and Expenditure **47**
Note 6. Events after the Balance Sheet Date **47**
Note 7. Expenditure and Funding Analysis (EFA) **47**
Note 8. Expenditure and Income Analysed by Nature **51**
Note 9. Adjustments between Accounting Basis and Funding Basis under Regulations **52**
Note 10. Movements in Earmarked Reserves **55**
Note 11. Other Operating Expenditure included in the Comprehensive Income and Expenditure Statement **56**
Note 12. Financing and Investment Income and Expenditure **56**
Note 13. Taxation and Non Specific Grant Income **56**
Note 14. Property, Plant and Equipment **57**
Note 15. Investment Property **60**
Note 16. Intangible Assets **61**
Note 17. Financial Instruments **63**
Note 18. Inventories **67**
Note 19. Debtors **67**

Note 20. Cash and Cash Equivalents 67
Note 21. Assets held for sale 68
Note 22. Creditors 68
Note 23. Useable Reserves 68
Note 24. Unusable Reserves 68
- Capital Adjustment Account 68
- Revaluation Reserve 70
- Financial Instruments Adjustment Account 71
- Financial Instruments Revaluation Reserve 71
- Pensions Reserve 71
- Collection Fund Adjustment Account 72

Note 25. Operating Activities 73
Note 26. Investing Activities 74
Note 27. Financing Activities 74
Note 29. Senior Officer remuneration and staff over £50k 2019/20 75
Note 30. External Audit Related Costs 76
Note 31. Grant Income 76
Note 32. Related Parties 77
Note 33. Capital Expenditure and Capital Financing 80
Note 34. Leases 80
Note 35. Impairment Losses 82
Note 36. Termination Benefits and Exit Packages 82
Note 37. Defined Benefit Pension Scheme 83
Note 38. Provisions, Contingent Assets and Liabilities 88
Note 39. Nature and Extent of Risks Arising from Financial Instruments 91
Note 40. Prior Period Adjustment 94

Supplementary Financial Statements

Collection Fund 95
1. Purpose of Fund 96
2. Council Tax 96
3. Non Domestic Rates (NDR) 97
4. Non Domestic Rates Appeals 97

GLOSSARY OF TERMS AND ABBREVIATIONS 98

Narrative Report

By the Finance Manager

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

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

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

Commentary and Review of 2019/20

The District

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

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

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

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

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

Covid-19 Pandemic

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

<u>Financial Impact</u>

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

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

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

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

Governance

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

Organisational Model

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

Risks

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

- **Housing affordability**

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

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

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

- **Wider economic environment**

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

- **Skill levels and educational attainment**

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

- **Environmental pressures and sustainability challenges**

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

Review of the Year

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

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

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

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

Performance

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

Summary of progress of key actions for 2019/20:

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

Summary of progress of Corporate Indicators for 2019/20:

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

Achievements within these key performance indicators are highlighted below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Spending and Sources of Income

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

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

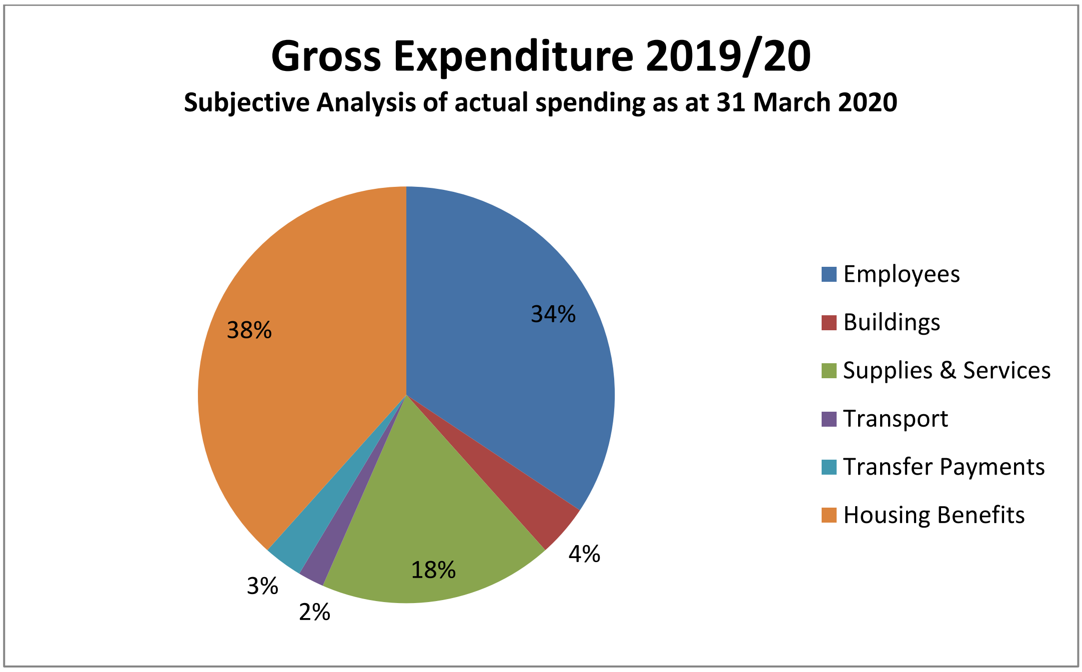
The outturn position above includes trading operations, commercial properties and some internal recharges that are not included in the cost of services section of the Comprehensive Income and Expenditure Statement or the Expenditure and Funding Analysis (Note 7).

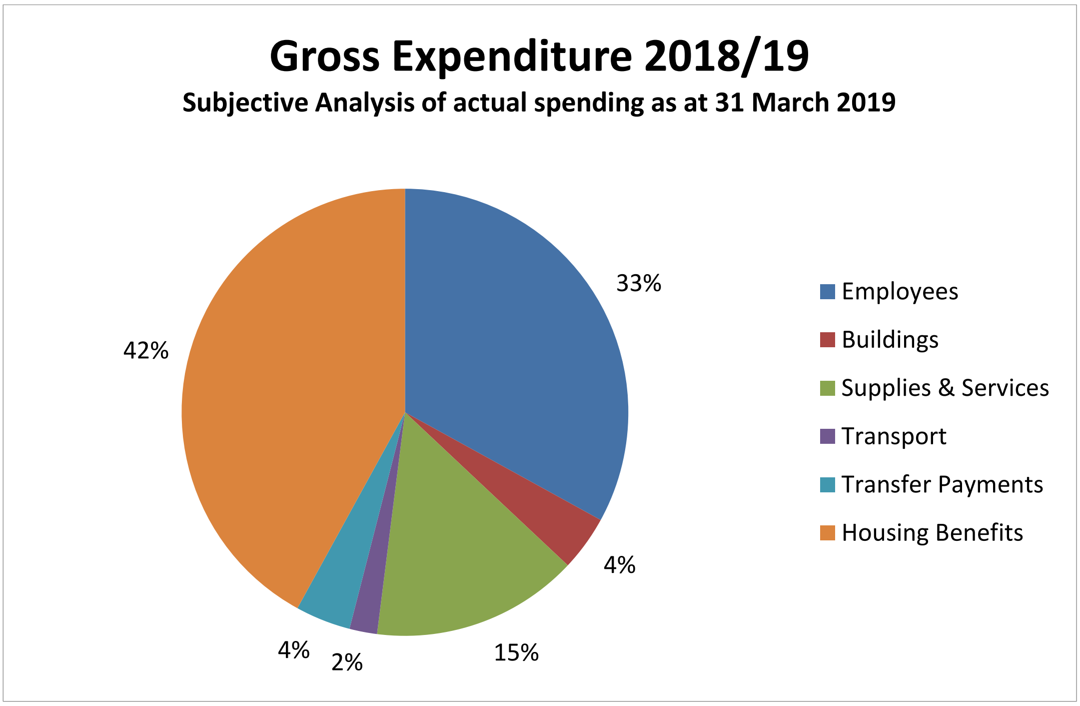
A summary of the variations of the outturn to the Budget are shown in the table below:

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

Analysis of Revenue Income & Expenditure

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

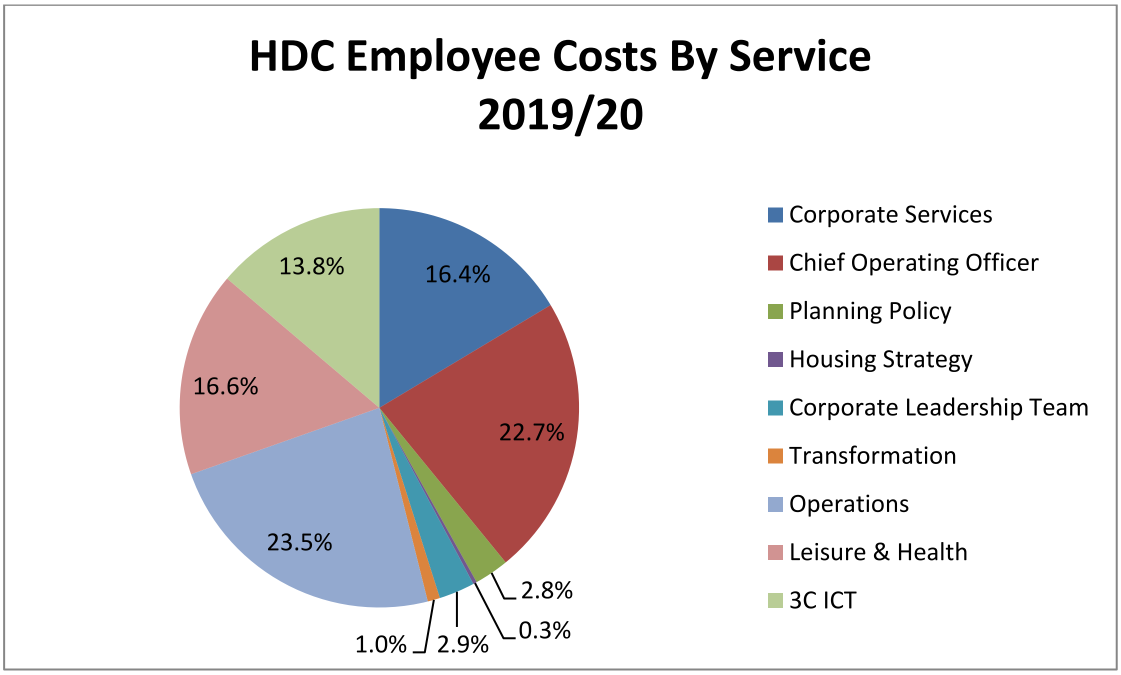


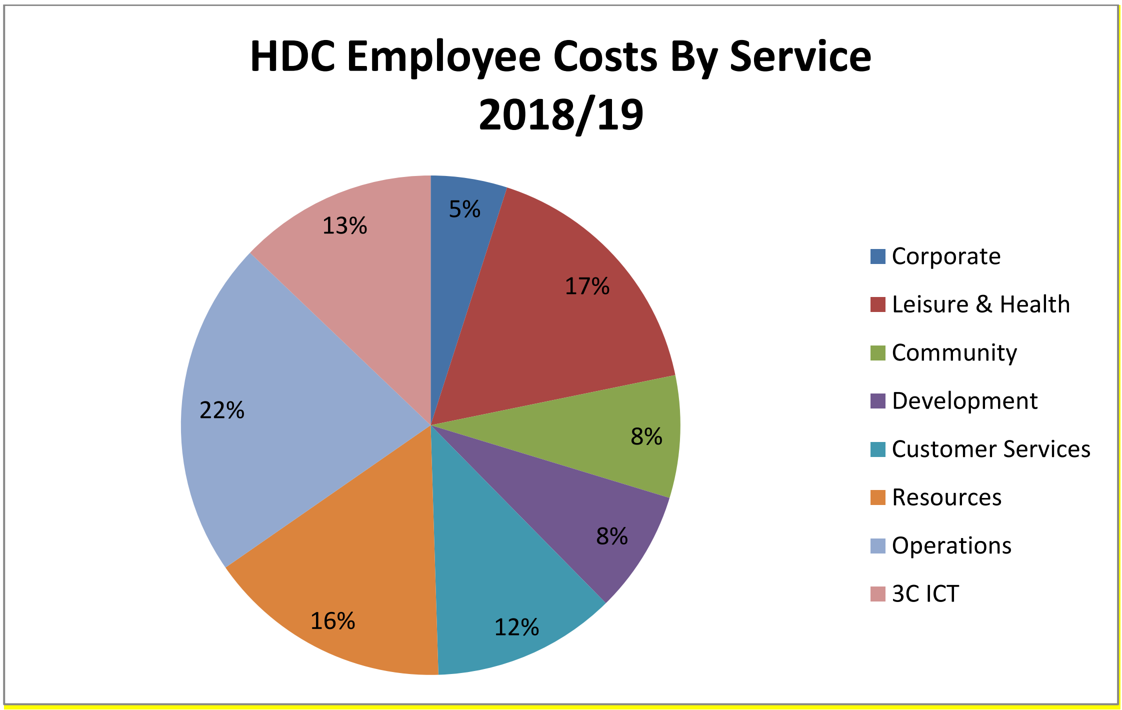


Note: These figures are different from those in the Comprehensive Income and Expenditure Statement (CIES) as that is based on accounting regulations and contains a number of costs that are not included in the above figures as they are not part of the Council's Management Accounts, for example depreciation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

Employee Expenditure

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





Reserves

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

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

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

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

Capital Spending

Capital Programme

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

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

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

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

Explanation of the Capital Programme Outturn

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

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

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

Sale of Assets

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

Commercial Investment Strategy

Introduction

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

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

Explanation of Outturn

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

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

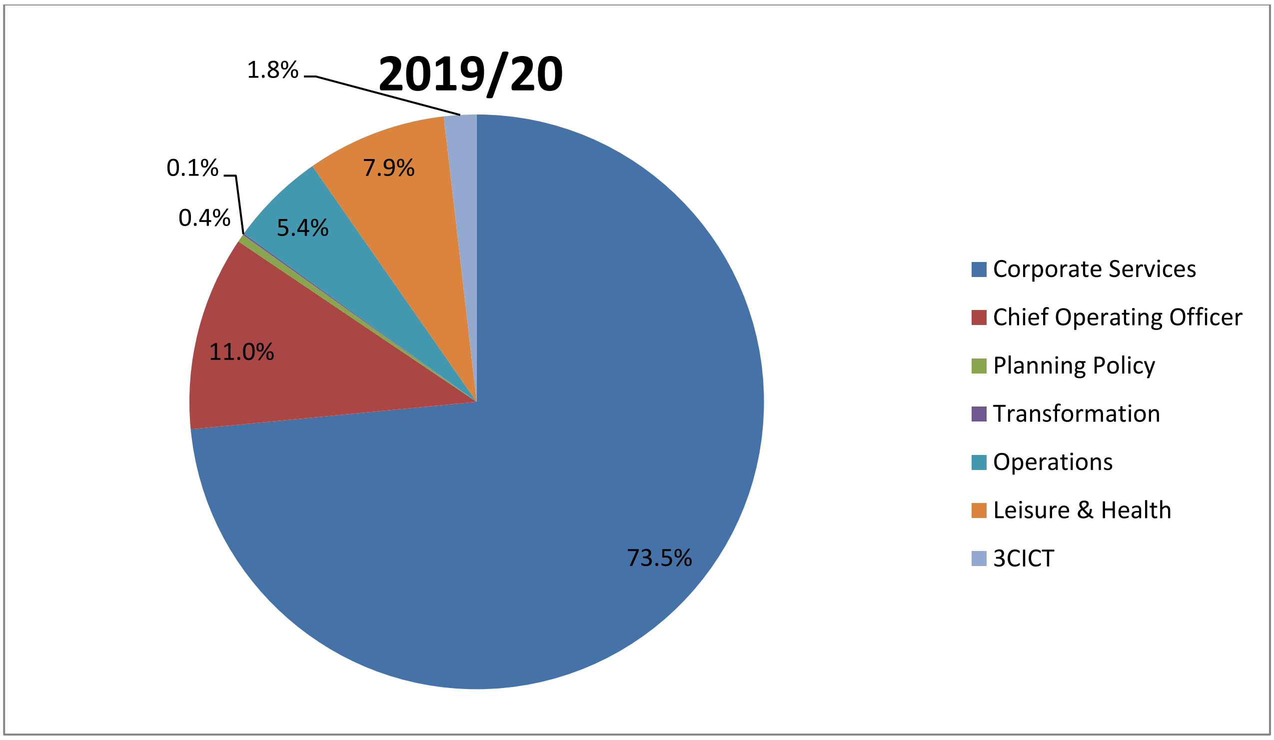
2018/19 £m	Capital Expenditure Assets	2019/20 £m
0.3	Environmental Projects	0.1
0.0	Car Parking	0.2
2.5	Housing Grants	2.2
0.9	Vehicle Replacement Programme	0.1
0.7	Information & Communication Technology	0.4
1.0	Leisure & Recreation	1.5
0.6	Huntingdon West development	0.1
0.2	Wheeled Bins	0.2
0.4	Industrial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

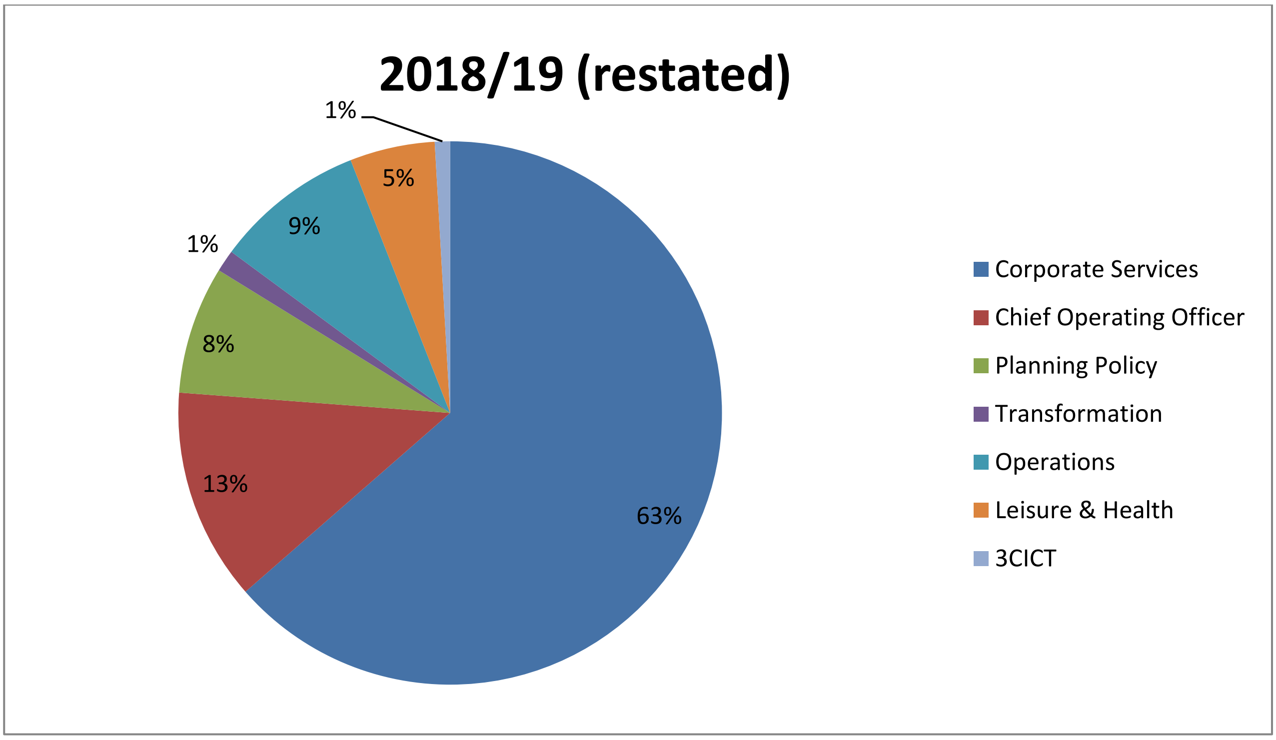
2018/19 £m	Capital Expenditure Loans	2019/20 £m
1.0	Urban and Civic Loan	0.0
0.8	Huntingdon Town Council	0.0
1.8	**Gross Expenditure**	**0.0**
	Funded from	
(1.0)	Capital Grants Unapplied Account	(0.0)
(0.8)	Borrowing	(0.0)
(1.8)		**(0.0)**

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

Capital Expenditure by Service

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





Treasury Management

The main purpose of the Treasury Management Strategy is to:

- Ensure the Council has sufficient cash to meet its day to day obligations.

- Borrow when necessary to fund capital expenditure, including borrowing in anticipation of need when rates are considered to be low.

- Invest surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest.

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

- A moderate recent improvement in the equity market, falling Gilt rates meaning lower borrowing costs, and falling credit default swap rates (less perceived risk in the financial market).

- A continuation of the Bank of England's policy of very low interest rates, with the result that market rates also remain very low. The Council's average investing rate was 0.70%.

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

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

- Where the Council has surplus funds to primarily make short term investments (the majority on call on a daily basis) in liquidity accounts and money market funds.

- Where possible to take a higher return without sacrificing liquidity.

- When borrowing the Council has used the Public Works Loan Board (PWLB), which offers low fixed rate borrowing over a long period. The interest rate on loans borrowed ranges from 1.48% to 3.91%.

Looking to the Future

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

Fair Funding Review and Business Rates Retention

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

The Financial Statements

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

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

- Accounts and Audit Regulations 2015.

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

Movement in Reserves Statement (MiRS)

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

The Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

The Balance Sheet shows the value at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund Capital expenditure or repay debt). The second category of reserves are unusable and includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement at the line entitled 'Adjustments between accounting basis and funding basis under regulations'.

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

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

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

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

The Cash Flow Statement

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

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

The Collection Fund Revenue Account

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

The Expenditure and Funding Analysis (EFA)

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

Technical Information

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

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

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

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

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

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

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

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

Claire Edwards FCCA

Finance Manager - **s.151 Officer**

31 May 2020

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

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Manager.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Finance Managers Responsibilities

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

In preparing this Statement of Accounts the Head of Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Finance Manager has also:

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

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

Claire Edwards FCCA
Finance Manager **– s.151 Officer**

31 May 2020

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 23 July 2020 delegated authority to me as Chairman of the Panel to approve the Statement of Accounts.

Councillor Mac McGuire
31 July 2020

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000 Note 10	Capital Grants Unapplied £000 Note 31	TOTAL USEABLE RESERVES £000	Unusable Reserves £000 Note 23	TOTAL COUNCIL RESERVES £000
Movement in reserves during 2019/20						
BALANCE AT 31 MARCH 2019 B'FWD	**2,555**	**17,735**	**23,342**	**43,632**	**(15,370)**	**28,262**
Surplus/(Deficit) on provision of services	(3,747)	0	0	(3,747)	0	(3,747)
Other comprehensive income and expenditure	0	0	0	0	29,564	29,564
Total comprehensive income and expenditure	**(3,747)**	**0**	**0**	**(3,747)**	**29,564**	**25,817**
Adjustments between accounting basis and funding basis under regulations (Note 9)	7,110	0	10,597	17,707	(17,707)	0
Net increase/(decrease) before transfers to earmarked reserves	**3,363**	**0**	**10,597**	**13,960**	**11,857**	**25,817**
Transfers (from)/to earmarked reserves (Note 10)	(3,384)	1,266	0	(2,118)	2,118	0
(Decrease)/increase in Year	**(21)**	**1,266**	**10,597**	**11,842**	**13,975**	**25,817**
BALANCE AT 31 MARCH 2020 C'FWD	**2,534**	**19,001**	**33,939**	**55,474**	**(1,395)**	**54,079**
Movement in reserves during 2018/19 (Restated)						
BALANCE AT 31 MARCH 2018 B'FWD	**2,658**	**16,013**	**17,288**	**35,959**	**(5,466)**	**30,493**
Surplus/(Deficit) on provision of services	3,134	0	0	**3,134**	0	**3134**
Other comprehensive income and expenditure	0	0	0	**0**	(5,365)	**(5,365)**
Total comprehensive income and expenditure	**3,134**	**0**	**0**	**3,134**	**(5,365)**	**(2,231)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	537	0	6,054	**6,591**	(6,591)	**0**
Net increase/(decrease) before transfers to earmarked reserves	**3,671**	**0**	**6,054**	**9,725**	**(11,956)**	**(2,231)**
Transfers (from)/to earmarked reserves (Note 10)	(3,774)	1,722	0	**(2,052)**	**2,052**	**0**
(Decrease)/increase in Year	**(103)**	**1,722**	**6,054**	**7,673**	**(9,904)**	**(2,231)**
BALANCE AT 31 MARCH 2019 C'FWD	**2,555**	**17,735**	**23,342**	**43,632**	**(15,370)**	**28,262**

Comprehensive Income and Expenditure Statement (CIES)

2018/19 Restated				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
7,201	(360)	6,841	AD Corporate Services	7,638	(796)	6,842
44,682	(39,563)	5,119	Chief Operating Officer	40,906	(35,805)	5,101
0	0	0	Programme Delivery	19	0	19
1,552	(347)	1,205	Planning Policy Manager	1,593	(570)	1,023
174	0	174	Housing Strategy Manager	219	0	219
870	(10)	860	Corporate Leadership Team	881	0	881
285	0	285	AD Transformation	432	(12)	420
12,010	(4,830)	7,180	Head of Operations	12,336	(5,195)	7,141
8,855	(6,799)	2,056	Head of Leisure & Health	8,659	(6,687)	1,972
8,722	(6,078)	2,644	3CICT Shared Service	9,640	(6,816)	2,824
84,351	**(57,987)**	**26,364**	**Cost of Services**	**82,323**	**(55,881)**	**26,442**
5,495	0	5,495	Other Operating Expenditure (note 11)	9,689	0	9,689
4,399	(4,772)	(373)	Financing and Investment Income and Expenditure (note 12)	10,424	(5,843)	4,581
1,490	(36,110)	(34,620)	Taxation and Non-specific Grant Income (note 13)	3,654	(40,619)	(36,965)
95,735	**(98,869)**	**(3,134)**	**(Surplus) / Deficit on provision of services**	**106,090**	**(102,343)**	**3,747**
		(6,888)	(Surplus) or deficit in the revaluation of non-current assets			(333)
		0	Surplus/deficit on financial assets measured at fair value through other Comprehensive Income			0
		12,253	Actuarial losses/(gains) on pension assets and liabilities			(29,231)
		5,365	**Other comprehensive income and expenditure**			**(29,564)**
		2,231	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			**(25,817)**

Balance Sheet

Restated 31 March 2019 £000		Notes	31 March 2020 £000
75,964	Property, Plant and Equipment	14	73,212
65	Heritage Assets		65
46,252	Investment Property	15	54,945
1,067	Intangible Assets	16	976
3,966	Long Term Investments	17	3,824
10,704	Long Term Debtors	17	11,027
138,018	**Long Term Assets**		**144,049**
1,000	Short Term Investments	17	0
627	Inventories	18	225
20,107	Short Term Debtors	19	26,421
6,629	Cash and Cash Equivalents	20	13,831
480	Assets Held for Sale	21	480
28,843	**Current Assets**		**40,957**
(4,182)	Bank overdraft	20	(29)
(483)	Short Term Borrowing	17	(4,762)
(14,301)	Short Term Creditors	22	(18,913)
(1,566)	Provisions	38	(1,956)
(20,532)	**Current Liabilities**		**(25,660)**
(28,268)	Long Term Borrowing	17	(39,417)
(718)	Other Long Term Liabilities	17	(718)
(89,081)	Net Pensions Liability	37	(65,132)
(118,067)	**Long Term Liabilities**		**(105,267)**
28,262	**Net Assets**		**54,079**
43,632	Useable Reserves	23	55,474
(15,370)	Unusable Reserves	24	(1,395)
28,262	**Total Reserves**		**54,079**

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

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

Cash Flow Statement

Restated 2018/19 £000		2019/20 £000
3,134	Net Surplus / (Deficit) on the provision of services	(3,747)
10,578	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	21,010
(10,747)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(12,656)
2,965	Net cash flows from Operating Activities	**4,607**
(9,290)	Investing Activities (Note 25)	(5,313)
6,596	Financing Activities (Note 26)	12,061
271	Net increase/(decrease) in cash and cash equivalents	**11,355**
2,176	Cash and cash equivalents at the beginning of the reporting period	2,447
2,447	**Cash and cash equivalents at the end of the reporting period (Note 20)**	**13,802**

Note 1. Accounting Policies

Accounting Policies in respect of Concepts and Principles

➢ **General Principles**

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

The underlying concepts of the accounts include the:

- Council being a 'going concern' – all operations continuing
- Accrual of income and expenditure – placing items in the year they relate to rather than the year they take place
- Primacy of legislative requirements – legislation overrides standard accounting practice

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies are reviewed on an annual basis to ensure that they are appropriate, compliant with accepted accounting practice and relevant to the Council's ongoing business activity.

➢ **Government Grants and Contributions (IAS 20)**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied.

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

➢ **Accruals of Income and Expenditure**

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

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

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

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

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

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

- **Exceptional Items**

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

- **Interest Receipts**

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

- **Reserves**

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

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

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

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

- **Value Added Tax**

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

- **Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

➢ Cash and Cash Equivalents

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

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

Accounting Policies in respect of Non-Current Assets

➢ Property, Plant and Equipment (IAS 16)

Assets that have physical substance and are held for use in the provision of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

- Recognition

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

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

- Measurement

  Assets are initially measured at cost, comprising:

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

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

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

o	Existing Use Value	Land and Buildings
o	Fair Value	Investment Properties
o	Depreciated Historic Cost:	Vehicles, Plant and Equipment, Infrastructure, Intangibles
o	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.

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

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

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by MRP in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement to reflect the difference between the two.

In respect of General MRP Policy capital assets, MRP will be chargeable in the year following the agreement of any final account. For each financial year, for other capital investments MRP will be charged in the following the completion of the scheme.
The basis for calculating MRP is restricted by legislation and the policy has to be approved by the Council. The Council has adopted the following which clarifies the policy to be applied in differing circumstances:

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

   Where the Council has provided:

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

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

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

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

iii. MRP Policy in respect of the Commercial Investment Strategy

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

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

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

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

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

➢ **Heritage Assets**

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

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

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

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

- Cultural

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

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

- Mayoral Regalia and Art Collection

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

➢ **Intangible Assets**

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

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

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

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

- **Investment Properties**

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

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

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

- **Leases**

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

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

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

- The Council as Lessee

    - <u>Finance leases</u>

      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.

- Operating Leases.

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

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

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

Current Value Measurement (IFRS 13)

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

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

Accounting Policies in respect of Current Assets

- **Inventories**

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

- **Contingent Assets**

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

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

➢ **Provisions and Contingent Liabilities**

- Provisions

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

- Contingent Liabilities

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

Accounting Policies in respect of Employee Benefits

➢ **Benefits Payable during Employment**

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

➢ **Termination Benefits**

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

Termination benefits are charged to the appropriate service line in the Comprehensive Income and Expenditure Account when the Council can demonstrate that it is committed to either terminating the employment of an officer or has made an offer of voluntary redundancy even if the officer has not left the Council by 31 March.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

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

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

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

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

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

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

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

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

➢ **Discretionary Benefits**

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

Accounting Policies in respect of Financial Instruments

➢ **Financial Assets**

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

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Financial Assets Measured at FVPL

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

- CCLA Property Fund

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

- Instruments with quoted market prices – the market price

- Other instruments with fixed ad determinable payments – discounted cash flow analysis.

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

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

Financial Assets Measured at FVOCI

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

➢ **Financial Liabilities**

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

- Creditors
  Creditors are carried at their original invoice amount.

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

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

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

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

Note 2. Accounting Standards that have been issued but have not yet been adopted

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

- **IFRS 16 Leases;** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of–use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.

- **IAS 19 Employee Benefits;** will require the remeasurement of net pension asset/liability following plan amendment, curtailments, or settlements to be used to determine current service costs and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and since this could result in a positive, negative or no movement in the net pension liability, no prediction can be made of the possible account impact.

Note 3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Liability	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.	changes in individual assumptions, as provided by the actuary, can be measured. For instance: • A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of 10% or £20.029m. • A 1 year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%. • A 0.5% increase in the salary increase rate would result in an increase in pension liability of 1% or £1.811m. • A 0.5% increase in the pension increase rate would result in an increase in pension liability of 9% or £18.059m.
Sundry Debt Arrears	The Bad Debt Provision (BDP), also known as Debtor Impairment, calculation is based on the current aged debt profile, past payment behaviour and past write off activity. At 31 March 2020 the Council has a net debtor's balance of £26.422m.	Each debt type has an independent BDP rate determined by previous debt activity. If only Sundry Debtor debt is considered, increasing the BDP by 10% would have an additional £0.041m impact on revenue. However, to achieve such an increase in the BDP, the actual debt would have to increase by £0.489m
Sundry Creditors (Housing Benefits)	During the year the Council pays Housing Benefits to local residents who are entitled to receive it; these payments are reimbursed by Central Government subsidy. The Subsidy reimbursement relates to amounts paid on or before 31 March, however, accruals have been made to reflect the period that the payments actually cover. The Housing Benefit payments made by the Council are on one of the two following bases: i. 4-week in arrears, or ii. 2-weeks in arrears/2-weeks in advance.	The amount of Housing Benefit in payment at any given time is dependent on the number of claims made at that time, which is itself affected by both local and national economic conditions. Consequently it is difficult to provide a meaningful sensitivity analysis.
Provision for Rateable Value Appeals	Appeals against rateable value are at the discretion of non-domestic ratepayers with the outcome ultimately determined by the Valuation Office and are not within the Council's control.	The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes

		appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation). A 10% variation in the estimated provision would be £0.485m for the Collection Fund of which £0.194m which would be attributable to the General Fund.

Note 5. Material Items of Income and Expenditure

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

Note 6. Events after the Balance Sheet Date

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

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

With regard to 2019/20:

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

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

Note 7. Expenditure and Funding Analysis (EFA)

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

	2019/20					
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments	
	£000	£000	£000	£000	£000	£000
Corporate Services	5,422	129	1,291	0	1,420	6,842
Chief Operating Officer	3,701	861	539	0	1,400	5,101
Programme Delivery	19	0	0	0	0	19
Planning Policy	823	129	71	0	200	1,023
Housing Strategy	139	0	8	72	80	219
Corporate Leadership	809	0	72	0	72	881
Transformation	379	14	27	0	41	420
Operations	4,426	2,229	486	0	2,715	7,141
Leisure & Health	266	1,411	295	0	1,706	1,972
ICT Shared Service	2,192	329	303	0	632	2,824
Cost of Services	**18,176**	**5,102**	**3,092**	**72**	**8,266**	**26,442**
Other income and expenditure	(21,539)	6,067	2,190	(9,413)	(1,156)	(22,695)
(Surplus) or Deficit	**(3,363)**	**11,169**	**5,282**	**(9,341)**	**7,110**	**3,747**
Opening General Fund Balance (Includes Earmarked Reserves)	**20290**					
Plus Surplus/(Deficit) on General Fund in Year	3,363					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,118)					
Closing General Fund Balance 31 March	**21,535**	**(see Page 13 of Commentary and Review of 2019/20)**				

	Restated 2018/19					
	Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis				Net Expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments	
	£000	£000	£000	£000	£000	£000
Corporate Services	5,606	200	1,035	0	1,235	6,841
Chief Operating Officer	3,458	1,125	536	0	1,661	5,119
Programme Delivery	0	0	0	0	0	0
Planning Policy	615	590	0	0	590	1,205
Housing Strategy	177	0	0	(3)	(3)	174
Corporate Leadership	775	0	85	0	85	860
Transformation	269	0	16	0	16	285
Operations	4,633	2,210	352	(15)	2,547	7,180
Leisure & Health	279	1,528	249	0	1,777	2,056
ICT Shared Service	2,094	321	229	0	550	2,644
Cost of Services	**17,906**	**5,974**	**2,502**	**(18)**	**8,458**	**26,364**
Other income and expenditure	(21,577)	(2,887)	1,995	(7,029)	(7,921)	(29,498)
(Surplus) or Deficit	**(3,671)**	**3,087**	**4,497**	**(7,047)**	**537**	**(3,134)**
Opening General Fund Balance (Includes Earmarked Reserves)	**18,671**					
Plus Surplus/(Deficit) on General Fund in Year	3,671					
Less Use of General Fund Balances to Fund Capital Expenditure	(2,052)					
Closing General Fund Balance 31 March	**20,290**	**(see Page 13 of Commentary and Review of 2019/20)**				

Notes to the EFA

a Adjustments for Capital Purposes

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

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

b Net Change for the Pensions Adjustment

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

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

c Other Differences

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

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

d Segmental Income

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

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

Note 8. Expenditure and Income Analysed by Nature

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

Restated 2018/19 £000s	Expenditure/Income	2019/20 £000s
	Expenditure	
26,586	Employee benefits expenses	26,545
14,207	Other services expenses	15,907
3,627	Support service recharges	5,282
7,220	Depreciation, amortisation, REFCUS and investment property fair value adjustment	15,121
550	Interest payments	551
2,751	Transfer and Grant Payments	3,245
7,682	Precepts and levies	9,723
33,112	Benefit Payments	29,716
95,735	**Total expenditure**	**106,090**
	Income	
(27,606)	Fees, charges and other service income	(29,300)
(581)	Interest and investment income	(561)
(20,299)	Income from council tax and non-domestic rates	(21,439)
(41,089)	Government grants and contributions	(36,809)
(9,294)	Levies	(14,234)
(98,869)	**Total income**	**(102,343)**
(3,134)	**Surplus or Deficit on the Provision of Services**	**3,747**

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2019/20

	Useable Reserves			
	General Fund balance £000	Capital receipts reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account: *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:*				
Expenditure statement:				
Charges for depreciation and impairment of non-current assets	(3,962)	0	0	3,962
Amortisation of intangible fixed assets	(232)	0	0	232
Fair value of investment properties	(5,962)	0	0	5,962
Revenue expenditure funded from capital under statute	(911)	0	0	911
Net carrying amount of non-current assets sold	(2,877)	0	0	2,877
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	211	0	0	(211)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	2,300	0	0	(2,300)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	567	0	(567)
Proceeds of sale of non-current assets	264	(264)	0	0
Repayment of loan	0	(303)	0	303
Adjustments involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(214)	0	0	214
Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(9,815)	0	0	9,815
Employer's pensions contributions and direct payments to pensioners payable in the year	4,533	0	0	(4,533)
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	(1,185)	0	0	1,185
Adjustments involving the Capital Grants Unapplied Account Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	10,740	0	(10,597)	(143)
Total Adjustments	**(7,110)**	**0**	**(10,597)**	**17,707**

Restated 2018/19

	Useable Reserves			
	General Fund balance £000	**Capital receipts reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments involving the Capital Adjustment Account: *Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:* *Expenditure statement:*				
Charges for depreciation and impairment of non-current assets	(3,790)	0	0	3,790
Amortisation of intangible fixed assets	(239)	0	0	239
Fair value of investment properties	(502)	0	0	502
Revenue expenditure funded from capital under statute	(1,628)	0	0	1,628
Net carrying amount of non-current assets sold	(142)	0	0	142
Revaluation Gains/Losses on non-current assets charge to the Comprehensive Income and Expenditure Statement	(320)	0	0	320
Losses on impairment of capital loans	(251)	0	0	251
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement:	788	0	0	(788)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Minimum revenue provision for capital funding	2,048	0	0	(2.048)
Adjustments involving the Capital Receipts Reserve:				
Use of Capital Receipts Reserve to fund capital expenditure	0	1,244	0	(1,244)
Proceeds of sale of non-current assets	949	(949)	0	0
Repayment of loan	0	(295)	0	295
Adjustments involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	98	0	0	(98)
Adjustments involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 37 of Pension Fund)	(8,911)	0	0	8,911
Employer's pensions contributions and direct payments to pensioners payable in the year	4,414	0	0	(4,414)
Adjustments involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(637)	0	0	637
Adjustments involving the Capital Grants Unapplied Account Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	7,586	0	(6,054)	(1,532)
Total Adjustments	**(537)**	**0**	**(6,054)**	**6,591**

Note 10. Movements in Earmarked Reserves

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

	Balance 31.3.18 £000	Transfers in £000	Transfers out £000	Balance 31.3.19 £000 Restated	Transfers in £000	Transfers out £000	Balance 31.3.20 £000	Purpose of Reserve
S106 agreements	**(1,385)**	(696)	433	**(1,648)**	(814)	1,456	**(1,006)**	**A**
Commuted S106 payments	**(1,233)**	(24)	275	**(982)**	(244)	100	**(1,126)**	**B**
Repairs and renewals funds	**(1,943)**	(264)	360	**(1,847)**	(33)	0	**(1,880)**	**C**
Strategic Transformation Reserve	**(708)**	(567)	437	**(838)**	(284)	317	**(805)**	**D**
Collection Fund Reserve	**(1,313)**	(599)	0	**(1,912)**	0	0	**(1,912)**	**E**
Commercial Investment Fund	**(3,598)**	(1,135)	1,627	**(3,106)**	(2,304)	2,028	**(3,382)**	**F**
Market Towns Investment Fund	**(500)**	(250)	0	**(750)**	0	104	**(646)**	**G**
Budget Surplus Reserve	**(2,212)**	(1,931)	167	**(3,976)**	(1,788)	989	**(4,775)**	**H**
Special reserve	**(998)**	(90)	504	**(584)**	(723)	171	**(1,136)**	**I**
Other reserves	**(2,123)**	(586)	617	**(2,092)**	(367)	126	**(2,333)**	**J**
Total	**(16,013)**	**(6,142)**	**4,420**	**(17,735)**	**(6,557)**	**5,291**	**(19,001)**	

Purpose of Reserve		
A	S106 agreements	Contains payments made by developers to meet their planning approval obligation to contribute to the funding of infrastructure and community requirements. As a relevant project is completed it is funded in all or part from this reserve.
B	Commuted S106 payments	Represents payments made by developers to meet their planning approval obligation to contribute to the funding of the maintenance of specified assets for a set period of years. As relevant maintenance costs are incurred funding is transferred from the reserve.
C	Repairs and renewals funds	Some services contribute an annual sum and the funds are used to pay for one-off repair or renewal items; thereby evening out the spending on large maintenance items.
D	Strategic Transformation Reserve	To fund workflow streams associated with initiatives to improve the efficiency of the Council.
E	Collection Fund	Excess NDR and Council Tax received from the Collection Fund due to be repaid in future years.
F	Commercial Investment Fund	Revenue allocation to meet future investment in commercial investment strategy
G	Market Towns Investment Fund	A fund to support the redevelopment of Huntingdonshire's market towns.
H	Budget Surplus Reserve	Contains "Surplus" funds that exceed 15% maximum threshold for the General Fund Balance
I	Special reserve	To support business activity that will achieve future savings.
J	Other reserves	This is a summary of other less significant reserves that support ongoing service activity, including Local Plan activity, NDR Reliefs, District Council Elections, New Trading Company, Community Infrastructure Levy administration, IT projects, Housing Support and Landlord activities.

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

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

Note 12. Financing and Investment Income and Expenditure

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

Note 13. Taxation and Non Specific Grant Income

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

Note 14. Property, Plant and Equipment

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	1,275	0	0	0	0	**1,275**
Revaluation to CIES	0	0	0	0	0	**0**
Non-enhancing capital expenditure	(2,261)	0	0	0	0	**(2,261)**
Disposal	(2,877)	(1,593)	0	0	0	**(4,470)**
Gross C'fwd	**58,909**	**21,158**	**10,088**	**451**	**1,046**	**91,652**
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	1,593	0	0	0	**1,593**
Gross C'fwd	**(610)**	**(12,564)**	**(5,266)**	**0**	**0**	**(18,440)**
Net Book Value						
At 31 March 2020	**58,299**	**8,594**	**4,822**	**451**	**1,046**	**73,212**
At 31 March 2019	**61,827**	**8,246**	**5,210**	**451**	**230**	**75,964**

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

Capital Commitments

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

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

Revaluations

- Land and buildings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 15. Investment Property

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

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

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

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

Restrictions

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

Gains or Losses from changes in Fair Value

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

Highest and Best Use

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

Valuation Techniques

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

Fair Value Hierarchy

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

Level 1 Inputs

Quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs

Inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs

Unobservable inputs for the asset or liability.

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

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

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

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

Valuation Techniques to Determine Level 2 Fair Values

Significant Observable Inputs Level 2

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

Note 16. Intangible Assets

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

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

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

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

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

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

Note 17. Financial Instruments

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

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

Gains and losses on income and expense

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

Fair value of assets and liabilities carried at amortised cost

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

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

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

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

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

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

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

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

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

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

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

The Financial Liabilities are shown below:

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

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

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

Note 18. Inventories

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

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

Note 19. Debtors

Restated 2018/19 £000		2019/20 £000
2,477	Central Government bodies - Her Majesty's Revenue and Customs, and Community and Local Government	6,141
3,738	Other Local Authorities	6,367
16,115	Other entities and individuals	15,660
7	NHS	5
(2,230)	Bad debt provision (Impairment of loans and receivables)	(1,752)
20,107		**26,421**

Note 20. Cash and Cash Equivalents

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

Note 21. Assets held for sale

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

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

Note 22. Creditors

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

Note 23. Useable Reserves

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

Note 24. Unusable Reserves

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

<u>Capital Adjustment Account</u>

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment and Investment Properties before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains and losses. Note 7 provides the details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

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

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.

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

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

Financial Instruments Adjustment Account

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

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

Financial Instruments Revaluation Reserve

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

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2018/19 £000	Pensions Reserve	2019/20 £000
72,331	**Balance at 1 April**	**89,081**
12,253	Actuarial (gains) or losses on pensions assets and liabilities	(29,231)
8,911	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,815
(4,414)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,533)
89,081	**Balance at 31 March**	**65,132**

Collection Fund Adjustment Account

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

Restated 2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
(138)	**Balance at 1 April**	**499**
637	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	1,185
499	**Balance at 31 March**	**1,684**

Note 25. Operating Activities

The cash flows for operating activities include the following items:

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

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

2018/19 £000	Non-Cash Items	2019/20 £000
3,790	Depreciation	3,962
320	Impairment and downward valuations	0
239	Amortisation	232
(230)	Increase/ (decrease) in creditors	4,287
1,954	Increase/ (decrease) in debtors	(2,470)
(517)	Increase/ (decrease) in inventories	402
4,497	Movement in pension liability	5,282
142	Carrying amount of non-current assets and non- current assets held for sale, sold or derecognised	2,877
383	Other non-cash items charged to the net surplus or deficit on the provision of services	6,438
10,578		**21,010**

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

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

Note 26. Investing Activities

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

Note 27. Financing Activities

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

Note 28. Members' Allowances

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

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

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

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

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

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

Remuneration of Senior Employees

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

2019/20 Post holder	Salary including allowances £	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**
Finance Manager (S151 Officer) (6)	47,204	0	**47,204**	8,106	**55,310**

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

Key:

2019/20 Key:

Note 1: The election fees do not include fees for County, Parliamentary and Mayoral elections paid for by third parties
Note 2: The start date of the Chief Operating Officer 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 S151 Role starting from 13/10/19

2018/19 Key:

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

Note 30. External Audit Related Costs

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

2018/19 £000		2019/20 £000
72	External audit	52
17	Grant claim certification	15
89		**67**

Note 31. Grant Income

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

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

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

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

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

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

Note 32. Related Parties

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

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

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/29 is shown in Note 28. Some Council members are also:

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

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

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

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

- received £0.87m from the County Council.

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

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

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

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

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

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

In respect of 2019/20:

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

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

Councillor	**Organisation**	**Relationship with Organisation**	**Payments from Organisations 2018/19 £**	**Payments made by the Council 2018/19 £**	**Interest**
Bywater, Chapman, Criswell, Fuller, Gardener, Giles, Giles, McGuire, Wells, Wilson, Sanderson	Cambridgeshire County Council	Councillor/Member	*	51,000	Grant for Edge Construction Skills Hub
Chapman	Friend of Paxton Pits	Friend	9,865.29	*	Friends of Paxton Pits Reserve:- £2875 FPP Payment, £180 & £1247.40 Mooring £4412.47 items for PP £949.80 Kingfisher nest boxes Paxton Pits Education Centre: £200.62 Repairs to Education centre at PP
Criswell & Officer Stopford	Hunts Forum of Voluntary Sector Organisations		*	63,109	£63108.48 = £31150 * 2 HDC Voluntary sector agreements £404.24 *2 Fire system Maintenance
Conboy	Pinpoint		*	1,875	Community Chest Grant 2019/20
Officers Stopford & Morley	HDCV Security Services Limited	Directors	0	0	
Officers Lancaster & Morley Cllrs Keane & Conboy	HDC Ventures Limited & HDC Ventures	Directors	0	0	
* There are transactions however they are not Related Party transactions					

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

Note 33. Capital Expenditure and Capital Financing

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

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

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

Note 34. Leases

<u>Council as Lessee</u>

Finance Leases

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

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

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

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

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

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

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

Operating Leases

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

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

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

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

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

Service Concessions

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

Council as Lessor

Finance leases

The Council has no finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses

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

2018/19 £000		2019/20 £000
3,666	Not later than 1 year	4,829
8,752	Later than 1 year and not later than 5 years	10,209
23,969	Later than 5 years	26,382
36,387		**41,420**

The lease payments receivable do not include rents that are contingent on events taking place after the Balance Sheet date, such as adjustments following rent reviews.

Note 35. Impairment Losses

During 2019/20 the Council has recognised impairments to Property, Plant and Equipment of £1.556m (2018/19; £1.803m).

Note 36. Termination Benefits and Exit Packages

Compulsory Redundancy:
In respect of:

- 2019/20, the Council approved the compulsory redundancy of 5 employees
- 2018/19, the Council did not approve any compulsory redundancies this year

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

- 2019/20, 5 voluntary redundancy were approved.
  In addition a further 1 employee left the council in 2019/20 with a Compromise agreement.

- 2018/19, 1 voluntary redundancy was approved.
  In addition a further 3 employees left the council in 2018/19 with a Compromise agreement.

All costs in respect of Termination benefits and exit packages have been debited to the year in which the decision was made. The following table shows the banding of employee terminations and the total cost to the Council per band.

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages agreed		Total cost of packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 to less than £20,000	0	3	4	3	4	6	18	64
£20,000 to less than £40,000	0	1	0	3	0	4	0	102
£40,000 to less than £60,000	0	1	0	0	0	1	0	50
Greater than £60,000	0	0	0	0	0	0	0	0
	0	**5**	**4**	**6**	**4**	**11**	**18**	**216**

Note 37. Defined Benefit Pension Scheme

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Employees of Huntingdonshire District Council may participate in the Cambridgeshire Pension Fund, part of the Local Government Pension Scheme (LGPS). The fund is administered as a defined benefit final salary scheme by Cambridgeshire County Council in accordance with LGPS Regulations 1997, as amended.

Valuation of Pension Fund

The contribution rate is determined by the Fund's actuary based on triennial valuations. The last valuation took place as at 31 March 2016.

To avoid the impact of potential reductions in the workforce the actuary proposed that a fixed percentage of 17.3% be applied for 2017/18, 2018/19 and 2019/20.
This should be used to provide for future service liabilities, together with a lump sum contribution to reduce the existing deficit related to past service.

The lump sums proposed were:

2017/18 £1.584m
2018/19 £1.584m
2019/20 £1.584m

As a consequence of the triennial valuation ,the asset value in the intervening period is an estimate calculated by the actuary using a model. Any differences between the estimate and actual figures are adjusted at the next full valuation.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The Council and employees pay contributions into a fund, at a level calculated to balance the pension liabilities with investment assets. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive

Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19 £000		2019/20 £000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
6,068	Current Service Cost	7,187
858	Past Service Cost	454
	Financing and Investment Income and Expenditure:	
5,856	Net interest expense	5,843
(3,871)	Expected Return on Scheme Assets	(3,669)
8,911	**Total post-employment benefit charged to the deficit on the provision of services**	**9,815**
	Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement:	
	Re-measurement of the net defined benefit liability comprising:	
5,561	Return on plan assets (Excluding the amount included in the net interest expense)	(11,434)
0	Actuarial gains and losses arising on changes in demographic assumptions	5,257
(17,972)	Actuarial gains and losses arising on changes in financial assumptions	19,255
158	Other experience	16,153
(12,253)		29,231
(3,342)	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**39,046**
	Movement in Reserves Statement	
(8,911)	Reversal of net charges made to the surplus/deficit on the provision of services for post-employment benefits in accordance with the Code	(9,815)
	Actual amount charged against the General Fund Balance for Pensions in the Year:	
4,235	Employer's contributions payable to the scheme	4,353
179	Retirement benefits payable to pensioners*	180
(4,497)	**Total Movement in Reserves Statement**	**(5,282)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a loss of £34.85m, and to the 31 March 2019 is a loss of £64.08m.

Assets and Liabilities in relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities in respect of Huntingdonshire District Council:

31 March 2019 £000		31 March 2020 £000
215,939	**Opening balance as at 1 April**	**241,834**
6,068	Current Service Cost	7,187
5,856	Interest Cost	5,843
1,014	Contributions by scheme participants	1,043
	Remeasurement (gains) and losses:	
0	***Actuarial losses/ (gains) from changes in demographic assumptions***	(5,257)
17,972	Actuarial losses / (gains) from changes in financial assumptions	(19,255)
(158)	Other	(16,153)
858	Past service costs/ (gains)	454
(5,536)	Benefits paid	(5,789)
(179)	Estimated unfunded benefits paid *	(180)
241,834	**Closing balance at 31 March**	**209,727**

* The unfunded benefits are those relating to the early retirement of scheme members where the Council makes an additional contribution to the Pension Fund

Reconciliation of fair value of the scheme assets in respect of Huntingdonshire District Council:

31 March 2019 £000		31 March 2020 £000
143,608	**Opening fair value of scheme assets balance as at 1 April**	**152,753**
3,871	Interest Income	3,669
	Remeasurement gain/(loss)	
5,561	The return on plan assets (Excluding amount included in net interest expense)	(11,434)
4,235	Contributions by the employer	4,353
1,014	Contributions by employees into the scheme	1,043
179	Contributions for unfunded (Discretionary benefits)benefits*	180
(5,536)	Benefits paid	(5,789)
(179)	Unfunded (Discretionary benefits) benefits paid*	(180)
152,753	**Closing Balance at 31 March**	**144,595**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £(7.77)m (2018/19; £9.43m).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000		2019/20 £000
(179,200)	(212,691)	(215,939)	(241,834)	Fair value of assets	(209,727)
111,237	140,530	143,608	152,753	**Deficit in the scheme**	144,595
(67,963)	**(72,161)**	**(72,331)**	**(89,081)**		**(65,132)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £(209.73m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £(65.13m).

However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme and actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council expects to contribute £4.31m into Cambridgeshire County Council's Local Government Pension Fund in the year to 31 March 2021. With regard to discretionary benefits, there were no such awards in 2019/20 (2018/19; Nil).

Impact of the 31 March 2016 Formal Actuarial Valuation

Formal actuarial valuations are carried out every three years where assets and liabilities are calculated on a detailed basis and these were concluded as at 31 March 2016.

Basis for Estimating Liabilities and Assets

Liabilities, for the purposes of IAS19, have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, longevity etc. The liabilities have been assessed by Hymans Robertson LLP, the independent firm of actuaries to the County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016. The results of this valuation were projected forward using approximate methods.

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

2018/19	County Fund – Main Assumptions	2019/20
2.8%	Rate of increase in salaries	2.4%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate of discounting scheme liabilities	2.3%
	Mortality assumptions:	
	Longevity at 65 for current pensioners	
22.4 years	Men	22.0 years
24.4 years	Women	24.0 years
	Longevity at 65 for future pensioners	
24.0 years	Men	22.7 years
26.3 years	Women	25.5 years

Local Government Pension Scheme Assets Comprised:

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

31 March 2019 £000		31 March 2020 £000
1,892	Cash and cash equivalents	1,838
1,892		**1,838**
	Equity instruments by industry type:	
4,615	Consumer	0
2,749	Manufacturing	0
3,208	Energy and utilities	0
5,742	Financial institutions	0
924	Health and care	0
813	Information technology	0
18,051	**Sub-total equity**	**0**
	Debt Securities	
3,789	UK Government	6,446
3,789	**Sub-total debt securities**	**6,446**
	Private equity:	
11,566	All not in active markets	10,310
11,566	**Sub-total private equity**	**10,310**
	Real Estate	
0	UK Property	9,862
0	Overseas Property	2
0	**Sub-total Real Estate**	**9,864**
	Other investment funds:	
14,195	Bonds	9,893
6,358	Infrastructure	11,145
85,571	Equity	95,077
11,331	Other	0
117,455	**Sub-total other investment funds**	**116,115**
	Derivatives:	
0	**Other**	**22**
0	**Sub-total Derivatives**	**22**
152,753	**Total Assets**	**144,595**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2019/20 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2020.

2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %		2019/20 %
2.62	6.88	(3.83)	18.32	(0.36)	Differences between expected and actual return on assets	3.85
0.95	1.01	0.19	(0.01)	0.07	Experience gains/ losses on liabilities	7.70

Sensitivity analysis:

Increase in assumption 31 March 2019 £000	Impact on the defined benefit obligation in the scheme	Increase in assumption 31 March 2020 £000
3-5%	Longevity (increase or decrease in 1 year)	3-5%
3,263	Rate of increase in salaries (increase or decrease by 0.5%)	1,811
21,288	Rate of increase in pensions (increase or decrease by 0.5%)	18,059
(24,884)	Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(20,029)

Further information

Further information may be found in the Cambridgeshire County Pension Fund Annual Report, available from the Director of Resources, Cambridgeshire County Council, Shire Hall, Castle Hill, Cambridge, CB3 0AP.

Note 38. Provisions, Contingent Assets and Liabilities

	Short Term Provisions		
	NDR Appeals Provision (2) £000	Insurance Claim (3) £000	Total £000
Balance at 1 April 2019	**1,553**	**13**	**1,566**
Movement during 2019/20	(218)	0	(218)
Balance at 31 March 2020	**1,335**	**13**	**1,348**
Amounts used in 2019/20	(362)	0	**(362)**
Amounts charged to services 2019/20	970	0	**970**
Balance at 31 March 2020	**1,943**	**13**	**1,956**

Provision

Short Term Provision
Where an obligating event is expected to occur within the next 12 months.

1. NDR Appeals Provision

As a consequence of the Government initiative in the localisation of Non-Domestic Rates (NDR), the Government transferred the risk of appeals against Rateable Values to local authorities. Following a review which included taking external expert advice a provision for appeals outstanding was estimated to be £4.857m; of which £1.943m would have to be met by the Council, and £2.329m by other Collection Fund participants.

2.Insurance Claim

Workplace related illness acquired by an employee who was working for a predecessor authority pre 1974. It has not been possible to identify the insurer who provided employees liability cover and consequently the Council will be responsible for the cost of the claim.

Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and these are detailed below. The total expected value of these liabilities is £3.653m (2018/19; £5.724m)

2018/19 Estimated value of contingent liability £000	Details of Contingent Liability	2019/20 Estimated value of contingent liability £000
	Environmental Related:	
3,150	The Environmental Protection Act 1990 Part IIA makes the Council liable for the costs of remediation of contaminated land where no other responsible person can be identified. The Council is in discussion with Cambridgeshire County Council over the planning position of a site owned by a company which is currently treating the leachate from a possible orphan site. If the planning application made to the County Council is approved, this will reduce the probability of abandonment and the likelihood of the Council becoming liable will reduce considerably. However, at this time there is a possibility that the Council could be liable if the site is abandoned. Current estimates are that the cost of leachate treatment would cost £150,000 per annum for 21 years (originally 30 years).	3,000
3,150	**Total for Environmental Related**	**3,000**
	NHS Hospital Trust	
1,953	At this time a claim has been made against Councils by NHS Hospital Trusts in respect of mandatory NDR relief. During 2019/20 the High Court has rejected the case put forward by NHS Trusts for Mandatory Relief of 80%.	0
1,953	**Total for Customer Services Related**	**0**

	<u>Corporate Related:</u> **Municipal Mutual Insurance Liquidation**	
601	Some years ago, the Council was insured by Municipal Mutual Insurance (MMI); unfortunately whilst the Council was insured by MMI they went into liquidation. Following the collapse of MMI, a Scheme of Arrangement was made that allowed MMI to 'run-off' the business and deal with outstanding claims. Due to increasing numbers of liability claims that MMI continued to receive, MMI pursued the matter of their continuing liability through the Courts. The Supreme Court gave judgement in March 2012. This clarified MMI's position in respect of future claims and led ultimately to increasing liabilities for MMI. The Scheme of Arrangement was enforced in January 2014. A £0.2m levy has been charged against the Council, which represents 25% of the total claims paid by MMI on behalf of the Council since 1993 (£0.851m) less a protected liability sum of £50k as agreed by the Financial Services Compensation Board. The Contingent Liability shown for 2019/20 is the balance of the total claims paid by MMI on behalf of the Council.	653
20	**Assets of Community Value** As at 31 March 2018, the Council has listed 35 sites owned by private individuals or companies as Assets of Community Value, as required by the Localism Act 2011. The Assets of Community Value scheme includes provisions for owners to claim compensation for loss and expense incurred through the asset being listed or previously listed. All claims must be considered and decisions may be subject to a review and an independent appeal. The Council is liable for all compensation payments awarded up to a maximum of £20,000 in each financial year, unless the limit is removed by the Government. This is shown as a nil amount for 2019/20 due to this not being material for the purposes of disclosure.	0
621	**Total for Corporate Related**	**653**
5,724	**Total Contingent Liabilities**	**3,653**

The above are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 39. Nature and Extent of Risks Arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks:

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

The Council’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team with due regard to the Annual Treasury Management Strategy approved by the Council.

<u>Credit risk</u>

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

In relation to investments the Council has adopted CIPFA’s Code of Practice on Treasury Management in the Public Services, has an agreed Treasury Management Strategy which addresses risk, and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA’s Prudential Code.

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £33.41m (2018/19; £38.82m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. The risk of not being able to recover the principal sums applies to all of the Council’s deposits but there was no evidence as at 31 March 2020 that this was likely to occur and there are no investments that as at 31 March 2020 were with institutions that had failed.

In relation to the sums owed by the Council’s customers and contractual debtors, the Council makes prudent financial provision for bad debts based on an assessment of the risks for each type of debt and the age of those debts whilst maintaining a robust approach to the collection of debts. The older the debt, the greater is the provision for bad debts. The bad debt provision has taken into account the current economic climate and the increased likelihood of debtors not being able to settle their debts.

The following analysis summarises the Council’s potential maximum exposure to credit risk on receivables, based on historical experience of default and un-collectability. It relates to the sundry debtors element of the total debtors, including debts of individuals, entities and housing benefit claimants.

	Amount at 31 March 2020 £000	Historical experience of default %	Historical experience of default adjusted for market conditions %	Impairment allowance 31 March 2020 £000	Impairment allowance 31 March 2019 £000
Sundry debtors	6,594	3.18%	3.18%	1,638	1,854

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

31/03/19 £000		31/03/20 £000
405	Less than three months	(7)
84	Three to six months	113
91	Six months to one year	4,582
2,401	More than one year	1,906
2,981		**6,594**

Liquidity risk

The Council maintains a cash flow projection that assists in ensuring that cash is available as needed. If unexpected movement happens the Council has ready access to borrowings from the money markets, and if necessary from the Public Works Loans Board (PWLB), although the Council does not generally use the PWLB for short-term cash-flow deficits. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities of more than one year are shown below as at 31 March 2020.

Financial Year	£000s
2021/22	533
2023/24	564
2037/38	5,000
2038/39	7,292
2039/40	11,963
2046/47	2,066
2047/48	2,547
2057/58	5,000
2058/59	5,000
	39,965

31/03/19 £000		31/03/20 £000
483	Less than one year	4,762
28,268	More than one year	39,417
28,751		**44,179**

All trade and other payables are due to be paid in less than one year.

Market risk – interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

- Borrowings at fixed rates – the fair value of liabilities borrowings will fall.
- Investment at variable rates – the interest income credited to the Surplus or deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

However the impact on the Surplus or Deficit on the Provision of Services is reduced because the Council does not generally borrow or invest at variable rates. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Council manages interest rate risk by not having any borrowings in variable rate loans. At times of falling interest rates and where economic circumstances make it favourable, consideration would be given to repaying fixed rate loans early to limit exposure to losses.

The treasury management team assesses the interest rate exposure that feeds into the setting of the annual budget and it is used to update the budget at least quarterly during the year.

If in 2019/20 interest rates on all of its investments and borrowings had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on borrowings of less than 1 year	0
Increase in interest receivable on investments of less than 1 year	191CR
Impact on the surplus on the Provision of Services	191CR
Increase in the fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings	7,053
(No impact on the Comprehensive Income and Expenditure Statement	

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

At 31 March 2020 the Council had £4 million invested in the Local Authorities Property Fund which is a professionally managed diversified property portfolio.

This investment is classified as financial asset elected for FVOCI, meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

A loss of £141,710 in respect of the Local Authorities Property Fund has been recognised in Other Comprehensive Income and Expenditure in 2019/20. This reflects general movements in the value of the shares, and the spread between the ‘offer’ price at which the shares were purchased and the ‘bid’ price that any purchaser would pay for them.
A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of £189,768 being recognised in the Other Comprehensive Income and Expenditure for 2019-20.

Foreign Exchange Risk

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

Note 40. Prior Period Adjustment

The Business Rates Retention Scheme started in 2013/14, together with an Enterprise Zone within Huntingdonshire. It was noted that the Enterprise Zone Reliefs were not being reflected within the collection fund correctly, along with the treatment of bad debt write off's. The adjustments for these accounting entries up to 2017/18 were not material, but have been adjusted within the b/fwd numbers within the Collection Fund and Balance Sheet.

Upon reviewing the 2018/19 Collection Fund for the Enterprise Zone Reliefs and Bad debt write offs, it was noted that an entry had been included within the Net Debit the wrong way round and has resulted in a material adjustment to the Collection Fund Statement for 2018/19 and the Primary Statements as identified below:

Impact on Primary Statements	DR £000	CR £000
CIES		
Taxation and non specific grant income	729	
Balance Sheet		
Short Term Debtors		1,022
Short Term Creditors	293	
MIRS		729
Earmarked Reserves		512
NNDR CFAA		
Movement on Surplus/Deficit	1,241	
Cashflow		
Net Surplus/(Deficit) on the provision of services	729	
Adjustment to net surplus or deficit on the provision of services for non-cash movements (Note 24)		729

Impact on Collection Fund Statement	DR £000	CR £000
Collection Fund Statement 2018/19		
Net Debit		2,497
MHCLG Precept Payment		363
Bad Debt Provision		268
Impact on Surplus/Deficit	3,128	
Collection Fund Statement 2017/18		
Net Debit	888	
MHCLG Precept payment	257	
Bad Debt Provision		599
Impact on Surplus/Deficit		546

These adjustments will also flow through the notes to the accounts and be marked as restated, where necessary.

Collection Fund

Restated Non-Domestic Rates 2018/19 £000	Council Tax 2018/19 £000	TOTAL 2018/19 £000		Non-Domestic Rates 2019/20 £000	Council Tax 2019/20 £000	TOTAL 2019/20 £000
			INCOME			
0	105,619	105,619	Council Tax Payers	0	114,759	114,759
62,587	0	62,587	Business Rates	62,856	0	62,856
(996)	0	(996)	Transitional Relief	(379)	0	(379)
61,591	**105,619**	**167,210**	**Total Income**	**62,477**	**114,759**	**177,236**
			EXPENDITURE			
			Contributions Prior Year (Deficit)/Surplus			
1,956	0	1,956	Ministry for Housing, Communities & Local Government	794	0	794
1,565	(33)	1,532	Huntingdonshire District Council	635	354	989
352	(288)	64	Cambridgeshire County Council	143	3,189	3,332
0	(45)	(45)	Cambridgeshire Police & Crime Commissioner	0	507	507
39	(16)	23	Cambridgeshire Fire Authority	16	175	191
3,912	**(382)**	**3,530**		**1,588**	**4,225**	**5,813**
			Precepts Demands and Shares			
28,880	0	28,880	Ministry for Housing Communities & Local Government	28,796	0	28,796
23,104	8,450	31,554	Huntingdonshire District Council	23,037	8,779	31,816
0	5,947	5,947	Parish Councils	0	6,651	6,651
5,198	76,220	81,418	Cambridgeshire County Council	5,183	81,021	86,204
0	12,119	12,119	Cambridgeshire Police and Crime Commissioner	0	13,749	13,749
578	4,193	4,771	Cambridgeshire Fire Authority	576	4,368	4,944
57,760	**106,929**	**164,689**		**57,592**	**114,568**	**172,160**
			Charges to the Collection Fund			
0	(311)	(311)	Write Off Uncollectable Debts	0	0	0
202	599	801	Change in Provision for Bad and Doubtful Debts	25	369	394
(93)	0	(93)	Changes in Provision for Appeals	975	0	975
216	0	216	Cost of Collection	217	0	217
880	0	880	Renewable Energy Retentions	909	0	909
1,132	0	1,132	Enterprise Zone Retentions	638	0	638
2,337	**288**	**2,625**		**2,764**	**369**	**3,133**
64,009	**106,835**	**170,844**	**Total Expenditure**	**61,944**	**119,162**	**181,106**
			Movement in Fund Balance			
2,418	1,216	3,634	(Surplus)/Deficit For Year	(533)	4,403	3,870
(1,136)	1,010	(126)	(Surplus)/Deficit Brought Forward 1 April	1,282	2,226	3,508
1,282	**2,226**	**3,508**	**(Surplus)/Deficit Carried Forward 31 March**	**749**	**6,629**	**7,378**

Notes to the Collection Fund

1. Purpose of Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

Until it is distributed, the tax collected is held in a statutory Collection Fund which is separate from the General Fund of the Council. The accounts are however, consolidated into the Council's accounts. They have been prepared on an accruals basis.

Parish and Town Council precepts are transferred to the General Fund before being paid to the Parish or Town Council. Interest is not payable / chargeable to the Collection Fund on cash flow variations between it and the General Fund.

There is no requirement for a separate Collection Fund Balance Sheet. The assets and liabilities of the Collection Fund at the end of the year are apportioned between Huntingdonshire District Council and the major preceptors in proportion to their demand on the fund for the year. The major preceptors' share of the assets and liabilities of the Collection Fund are shown as a debtor in Huntingdonshire District Council's accounts. Huntingdonshire District Council's share of the assets and liabilities are held in the Collection Fund Adjustment Account reserve.

2. Council Tax

Tax base at 31 March 2020

Tax band	Properties	Exemptions & discounts	Band D multiplier	Band D equivalent
A	11,524	(3,396)	6/9	5,419
B	20,073	(3,680)	7/9	12,750
C	17,810	(2,074)	8/9	13,988
D	11,723	(775)	9/9	10,948
E	8,392	124	11/9	10,408
F	3,744	(132)	13/9	5,217
G	1,759	(65)	15/9	2,823
H	143	(2)	18/9	282
Total	**75,168**	**(10,000)**		**61,835**

Council tax charge per band D property for 2019/20 £1,855.39
Council tax charge per band D property for 2018/19 £1,753.39

3. Non Domestic Rates (NDR)

The uniform Business Rate set by the Government for 2019/20 was 50.4p (2018/19 49.3p).

Total rateable value at 31 March 2020 £151.62m.
Total rateable value at 31 March 2019 £151.05m.

4. Non Domestic Rates Appeals

The provision is based upon the latest list of outstanding rating list proposals provided by the Valuation Office Agency. It is an estimate based on changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The estimate includes appeals and proposals in respect of live and historic Rating List entries. It does not include any allowance or adjustment for the effects of transition or for changes in liability. The estimated provision is made up of the estimated outcome of appeals calculated by a weighted average of the historic outcomes. It should be noted that the impact on the Council of appeals, as well as other NDR, is limited by Safety Net calculation (the calculation of which is limited by regulation).

A 10% variation in the estimated provision would be £0.485m for the Collection Fund of which £0.194m would be attributable to the General Fund.

GLOSSARY OF TERMS AND ABBREVIATIONS

GLOSSARY OF TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Actuarial Assumptions
These are predictions made for factors that will affect the financial condition of the pension scheme.

Amortisation
The gradual write off of initial costs of assets.

Asset
An item having value to the Council in monetary terms.

Balance
Unallocated reserves held to resource unpredictable expenditure demands.

Business Improvement District
A levy on local business to provide funding to develop the immediate area covered by the levy. The levy is agreed by majority vote.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure
Expenditure on the acquisition of non-current assets which will be used in providing services beyond the current accounting period, or expenditure on non-current assets.

Capital Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Adjustment Account
The account which reflects the extent to which the District Council's resources have been applied to finance capital expenditure and to meet future debt redemption or other credit liabilities.

Capital Receipts
Income received from selling non-current assets.

Carrying amount
The value of an asset or liability in the Balance Sheet.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy which is an institute that represents accounting in the Public Sector.

Collection Fund
A separate fund that records the income and expenditure relating to Council Tax and Non-domestic Rates.
Community Infrastructure Levy

An amount payable by developers (commercial and domestic) in respect of new buildings created within the District. The Levy must be used to provide infrastructure; decisions on which are taken by District and Parish Councils.

Contingent Liabilities
These are amounts that the Council may be, but is not definitely, liable for.

Council Tax
A tax paid by residents of the District that is based on the value of the property lived in and is paid to the Council and spent on local services.

Creditors
These are people or organisations which the Council owes money to for goods or services which have not been paid for by the end of the financial year.

Current Assets
These are assets that are held for a short period of time, for example cash in the bank, inventories and debtors.

Debtors
Sums of money owed to the District Council but not received by the end of the financial year.

Depreciation
The amount an asset has dropped in value is the amount it has been judged to have depreciated. Accountants use depreciation to demonstrate how much of the property, plant and equipment value has been used and therefore lowered during a financial year, for example because of wear and tear.

Earmarked Reserves
Money set aside for a specific purpose.

Exceptional Item
A material item in the Comprehensive Income and Expenditure Statement that falls within the ordinary activities of the Council but which needs to be disclosed separately by virtue of their size to give a fair presentation of the accounts.

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. A finance lease transfers substantially all of the risks and rewards of ownership of an item of property, plant and equipment to a lessee.

Impairment
A reduction in the value of property, plant and equipment to below its carrying amount on the Balance Sheet.

Impairment of Debts
This recognises that the real value of debt is less than the book value.

Intangible Assets
A non-physical item which provides future economic benefits. This Council's intangible assets comprise computer software licences.
Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Liquid Resources
Current asset investments held as readily disposable stores of value, either readily convertible into cash, or traded in an active market.

Local Enterprise Partnership
A Government initiative to boost economic growth within defined and agreed geographical areas. Funding to enable this growth is derived from the Non Domestic Rates collected for that area and channelled into the “partnership” to fund schemes.

Minimum Revenue Provision
The minimum amount that must be charged to the revenue account each year to provide for the repayment of monies borrowed by the Council.

Non Domestic Rates
Rates which are levied on business properties. From 1st April 2013, as a consequence of The Local government Finance Act 2012, a local Non Domestic Rating regime was introduced that included the business rates retention scheme. See also **Tariff** and **Safety Net**.

Operating Leases
A lease is a financial agreement to pay for an asset, for example a vehicle, in regular instalments. An operating lease is where the ownership of the non-current asset remains with the lessor.

Precept
A payment to the Council's General fund, or another local council, from the Council's Collection Fund.

Prior Year Adjustments
These are material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors.

Property, Plant and Equipment
Non-current assets that give benefit to the District Council and the services it provides for more than one year.

Provisions
Monies set aside for liabilities or losses which are likely to be incurred but where the exact amounts or dates on which they will arrive are uncertain.

Reclassification
Where comparative (prior year) figures are reclassified into new categories of income or expenditure, and the change has not been the result of a material error or accounting policy but the amount is “material” then this is a reclassification.

Responsible Financial Officer
The designated post within the Council, as determined by the Accounts and Audit Regulations 2015, which holds the statutory S.151 responsibility (Local Government Act 1972). This responsibility is in respect of ensuring the proper administration of the Council’s financial affairs. This post was formerly known as Chief Financial Officer.

Restated
Where there has been a material error in the accounts or a new accounting policy has been applied, then the comparative (prior year) figures have to be “restated” as if the correction or policy had been in place as at the end of the previous financial year.

Revenue Expenditure Funded from Capital under Statute
Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revaluation Reserve
The account that reflects the amount by which the value of the Council's assets has been revised following revaluation or disposal.

Revenue Expenditure
Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant
A grant from Central Government towards the cost of providing services.

Safety Net
The scheme for localising Non Domestic Rates (NDR) includes a safety net provision. Where the actual NDR after Tariff is less than 92.5% of the funding baseline, Central Government makes a safety net payment to the Council equal to the difference between the actual NDR and the funding baseline.

Section 106
Under planning regulations developers can be requested to make contributions to on and off-site facilities required as a result of their development.

Tariff
The scheme for localising Non Domestic Rates (NDR) includes baselines for both the amount of NDR the Council receives and the amount of Council funding from NDR. The Council pays Central Government a Tariff equal to the difference between the two baselines.

True and Fair View Override
As required by the Accounts and Audit Regulations 2015, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the Council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view override". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the Council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts.

ABBREVIATIONS

CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
DRC	Depreciated replacement cost
EFA	Expenditure and Funding Analysis
FTE	Full Time Equivalent
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LEP	Local Enterprise Partnership
LGPS	Local Government Pension Scheme
LLPG	Local Land and Property Gazetteer (UK)
MHCLG	Ministry for Housing, Communities and Local Government
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NBV	Net Book Value
NDR	Non Domestic Rates
NHB	New Homes Bonus
NNDR	National Non Domestic Rates (Business Rates)
PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors

RSG	Revenue Support Grant
S106	Section 106
SOLACE	Society of Local Authority Chief Executives

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HUNTINGDONSHIRE DISTRICT COUNCIL
AUDIT OF ACCOUNTS 2019/20
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 2019/020 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 **Suresh Patel, Associate Partner, Ernst & Young LLP, 1 More London Place, London SE1 2AF**

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

From 1 June 2020 to 10 July 2020 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 Finance Manager on 01480 388822 or Claire.Edwards2@huntingdonshire.gov.uk to discuss their requirements.

From 1 June 2020 to the 10 July 2020, 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.

Notice is also given that from 3 June 2020 to 10 July 2020 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 31 May 2020

Mrs Claire Edwards
Finance Manager (& Responsible Financial 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/Subject Matter:	Internal Audit Service: Annual Report 2019/20
Meeting/Date:	Corporate Governance Committee – 23 July 2020
Executive Portfolio:	Strategic Resources: Councillor J A Gray
Report by:	Internal Audit Manager (Acting only)
Ward(s) affected:	All Wards

Executive Summary:

The Public Sector Internal Audit Standards (PSIAS) require the Committee to receive an annual report on the work of the Internal Audit Service. The report is required to include:

- The opinion
- A summary of the work that supports the opinion; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

This report details the work undertaken by Internal Audit during the year ending 31 March 2020 to support the following opinion statement.

Audit Opinion on the Council's internal control environment and systems of internal control in providing adequate assurance over key business processes and financial systems:

Due to the decreased resources available in 2019/20, a limited number of audits were conducted and full audit coverage across the Council was not achieved; therefore an 'adequate assurance' opinion can only be given in respect of the assurance gained from those audits conducted and does not represent the wider Council.
Confidence in assurance can be taken from the fact that coverage included all the Council's key financial systems and IT Service; however it did not include a full wider coverage of general services.

Deborah Moss
Acting Internal Audit Manager July 2020

Last year 2018/19 the assurance opinion was stated as adequate assurance. This year 2019/20, there is no evidence to suggest that this assurance level has dropped and only two red audit actions were reported. However, limited coverage means that this level may not be truly representative.

The opinion is based on the outcome of 11* audit reviews and the review of key controls within all seven key financial systems.
(* two reports issued from 18.19 Plan)

The 11 audits have identified 53 actions for improvement. Three of these actions have been classified as ‘red’ or ’high risk’ actions (i.e. meaning the uncontrolled risk has the potential to seriously affect service delivery).

The following areas are brought to Committees attention.

1) Absence of definitive lone working procedure for safety of staff.
2) The lack of oversight of the minor works contract due to a lack of specialist and expert knowledge.
3) Little attention/progress on risk management.
4) Managers continued poor performance in introducing on time, actions that they have already agreed to.

The Internal Audit Manager continues to report functionally to the Corporate Governance Committee and maintains organisational independence. There were no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

Quality Assurance and Improvement Programme

One of the major elements of the PSIAS is the requirement to maintain a quality assessment and improvement programme This has been in place throughout the year. A self-assessment review was undertaken in May 2018 to evaluate Internal Audit’s conformance with the PSIAS ahead of a planned independent external assessment. Neither the action plan from the self-assessment nor the external assessment have been delivered, due to the Internal Audi Manager deciding that delivery of the internal audit plan was more important than allocating resources to the QAIP.

The Resources restructure removed non-audit functions of Insurance and Risk Management from the team, allowing more time to be spent on delivering the action plan. Unfortunately, the lengthy absences of the Audit Manager resulted in a very significant loss in audit days and consequently a number of audits could not be carried out.

Recommendation(s):

It is recommended that the Committee:

1. Consider and comment upon the report; and

2. Take into account the audit assurance opinion when considering the Annual Governance Statement for 2019/20.

1. PURPOSE OF THE REPORT

1.1 This is the annual report of the Internal Audit Manager (IAM). It covers the period 1 April 2019 to 31 March 2020.

1.2 The report includes the IAM's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

2. WHY IS THIS REPORT NECESSARY

2.1 The Accounts and Audit (England) Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

2.2 The Public Sector Internal Audit Standards (PSIAS) require an annual report to be considered by the Committee as they fulfil the role of the Board (as defined by PSIAS). The PSIAS details the matters that are required to be included in the annual report. These are:

a) The opinion
b) A summary of the work that supports the opinion; and
c) A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 Last year 2018/19 an overall opinion of adequate assurance was given and the internal control environment stated as generally effective. This year, 2019/20, it has not been possible to provide full coverage across the Council services and therefore only an audit opinion of adequate assurance can only be given with the caveat that it represents only those audit areas undertaken and not that of the Council-wide systems.

The Audit Service can state that all the key financial systems were reviewed quarterly for quarters 1-3 and no significant weaknesses / red issues were identified (quarter 4 reviews succumbed to Covid priorities which meant no year-end annual assurance was given for each system); It is anticipated that adequate ratings would have been given to all key systems except Accounts Receivable where a limited assurance would most likely have applied.

3.2 There have been two substantial assurance, five adequate assurance and three limited assurance reports (general and IT) issued in 2019/20. There are a number of matters within these reviews and from other work undertaken that need to be brought to the Committee's attention:

Minor Works Contract
This concern was reported to Committee last year, and still remains. HDC is now 'out of contract' and the contract needs reletting. Following cessation of the Projects & Assets team, this contract was transferred

to Operations who have never had the priority/capacity to renew it. Without a decision and action to re-let the contract, we may risk falling foul of procurement regulations.

Lone Working

The Council does not have a written corporate protocol for lone working. Whilst there are procedures that were previously in place, these are deemed no longer current; staff are not aware of them and do not follow them. Some employees follow their department's own local procedures, the design and approval of which is unknown. Whilst most local procedures 'work', they are not complete and carry a higher risk of not being sufficiently robust if something did go wrong.

Implementation of agreed audit actions on time

The performance indicator (% of agreed internal audit actions introduced on time) provides an assessment of the commitment and effectiveness of management in implementing actions. Managers who do not implement agreed actions arising from internal audit findings expose the Council to continued risk. Over the course of the year performance has fallen for the second year. Only **42%** of agreed actions were introduced on time at February 2020 compared to a reported 63% in March 2019 and 79% at March 2018.

Risk Management

The Council has not embedded risk management. Little or no attention or impetus has been given to this for a considerable time and it is my opinion that not enough importance is placed upon it.

There are also a significant number of draft reports that, despite auditor efforts, have not been replied to or signed off. This prevents the audit actions being added to the formal record and are not monitored for implementation. The risk or efficiency that each action stands to address, remains present.

4. KEY IMPACTS / RISKS

4.1 Failure to provide an annual report would lead to non-compliance with the PSIAS and require the matter to be reported in the Annual Governance Statement.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 The annual report will be considered by the Committee during the preparation of the Annual Governance Statement.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

6.1 The Internal Audit Service provides assurance to management and the Committee that risks to the delivery of the Corporate Plan across all of its areas are understood and managed appropriately.

7. REASONS FOR THE RECOMMENDED DECISIONS

7.1 In fulfilling its obligations under the PSAIS, the Committee is required to receive an annual report on the work of the Internal Audit Service. The outcomes of the report, particularly the annual opinion statement, will be included within the Council's annual governance statement.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – Internal Audit Service Annual Report 2019/20

9. BACKGROUND PAPERS

Internal Audit Reports
Internal Audit performance management information

CONTACT OFFICER

Name/Job Title: Deborah Moss, Acting Internal Audit Manager
Tel No: 01480 388475
Email: Deborah.moss@huntingdonshire.gov.uk

Internal Audit Service
Annual Report 2019/20

1. INTRODUCTION

1.1 This is the annual report of the Internal Audit Manager (IAM) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2019 to 31 March 2020.

1.2 The report includes the IAM's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. The opinion is based upon the work carried out by Internal Audit during the year.

1.3 The report provides information on:
- the delivery of the annual audit plan;
- audit reports issued and issues of concern;
- implementation of agreed actions;
- Internal Audit's performance; and
- the quality assessment and improvement programme.

2. OVERALL OPINION

Audit Opinion on the Council's internal control environment and systems of internal control in providing adequate assurance over key business processes and financial systems:

Due to the decreased resources available in 2019/20, a limited number of audits were conducted and full audit coverage across the Council was not achieved; therefore an adequate assurance opinion can only be given in respect of the assurance gained from those audits alone and does not represent the wider Council.
Confidence in the assurance can be taken from the fact that coverage included all the Council's key financial systems and IT Service; however it did not include a full wider coverage of general services.

Deborah Moss
Acting Internal Audit Manager July 2020

2.1 Assurance can never be absolute. The audit opinion reflects the IAM view on the current state of the internal control environment and the effectiveness of the systems of internal control across the Council and provides the Committee with an opinion for inclusion in the Annual Governance Statement (AGS).

If significant changes occur to the internal control environment prior to the Committee approving the AGS the Committee will be informed.

2.2 In preparing the internal audit plan for 2019/20, Managers were asked if they were aware of any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. With the exception of the statutory external audit of accounts no other external assurances were identified for 2019/20.

2.3 The IAM continues to report functionally to the Corporate Governance Committee and maintains organisational independence. In 2019/20 the Audit Manager had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

3. DELIVERY OF THE 2019/20 AUDIT PLAN

3.1 The Audit Plan was approved in two half-yearly Plans for 2019/20. Committee was advised in March of the intention of the restructure to remove Insurance and Risk Management out of the Audit team; Committee sought explanation as to the rationale behind the move and confirmed that they would continue to receive Risk Management reports direct to them; and sought confirmation that the [Internal Audit]Service would not be outsourced.

3.2 Committee expressed disquiet at having to approve an Audit Plan that would be likely to change following a restructure, but agreed on the proviso that an update was received from the Executive Councillor for Resources on the restructure and its impact upon the Committee's role.

Internal Audit Reports Issued

3.3 Audit reports issued are listed in the table below - grouped by assurance opinion (see Annex B for further explanation) and showing action type and number of actions.

Audit area		Action type & No.	
		Red	Amber
Substantial			
	Disabled Facilities Grants	0	0
	Protocol Policy Mgt System	0	2
Adequate			
	Staff Recruitment *	0	12
	Housing Benefit 18.19	0	6

Audit area		Action type & No.	
		Red	Amber
	S/w and H/w Asset Management	0	8
	Network Access Control	1	4
	Network System Resilience & Availability	0	3
Limited			
	Purchase Order Compliance *	0	9
	Lone Working *	1	5
	Delivery of Capital Schemes	0	0
No opinion given			
	GDPR (update only)	---	---
	Land Charges 18.19	0	4
	* Draft reports (status as at 31/03/2020).		

3.4 A number of internal audit reviews from the 2019/20 plan are still underway (but work was paused due to the COVID situation). Reports are anticipated on the following audit reviews:

- Enforcement Policy
- Dashboard/Sickness
- achievement of KPIs
- Maintenance Schedule Planning

3.5 In addition to the reports listed above, reviews or audit involvement have also been undertaken on the following areas.

- Investigating a data breach and supporting the disciplinary process that arose from the investigation.
- Supporting investigations surrounding staff
- Whistleblowing
- DFG Certification required by County Council
- 4Action system upgrade
- Resources restructure
- Follow-ups
- Ad hoc advice
- Information Governance Group attendance/work
- Audit Manager duties
- Elections
- Staff Council involvement

Guidance has also been provided to managers and staff on an ad-hoc basis on a wide variety of risk and control issues.

As in previous year's, the audit plan included time to review key controls within a number of key financial systems. These were completed for quarters 1-3 for all key systems but quarter 4 /end of year reviews were not completed due to COVID and the redeployment of the Service. These remain not completed and as such no assurance opinion was given for each of these key systems. However, the quarters 1-3 reviews provide assurance that the controls were operating adequately. Detailed below …

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

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

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

3.7 Appendix A provides a summary of the main findings from each audit report issued.

4. IMPLEMENTATION OF AGREED ACTIONS

4.1 The Corporate Leadership Team has set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe. As at the 29 February 2020 the figure achieved was 42% (18 actions due from a total of 43 were on time). This increases to 86% (37 actions from a total of 43) when actions implemented on time and late are combined. 6 actions were not introduced (due but not acted upon) – none of these are red actions. Statistics were not issued for March and chasing was halted because of lockdown.

4.2 Not all the introduced actions are routinely followed up. The IARM decides if a follow-up review is required after considering the action's classification, the action itself, the evidence provided by a manager to support the closure of the action and his own knowledge of the action taken.

4.3 Follow-ups were not managed during 2019/20 due to limited resources and priority given to audit reviews. With continuing limited resources, it is the intention that priority will continue to be given to audit reviews and not to follow-up work, which can be monitored by Management.

4.4 A new version of 4Action (the database used to manage the audit actions) was introduced in Nov 2019 and at the time of lockdown, the team were preparing a to introduce a new process for follow ups which would allow this information to be captured and reported from the system.

6. INTERNAL AUDIT PERFORMANCE

6.1 Internal Audit maintains a series of internal performance targets. The performance as at 31 March 2020 is detailed below.

6.2 Customer satisfaction

Target: 85% or more of customers rating service quality as good or better via customer survey forms.
Outcome: 2019/20 – 100%

Four* customers surveys have been issued and responded to during the year. All three rated the overall quality of the review to be 'very good'.
* Practice is for surveys to be issued to customers alongside the final audit report, and since some of the audits have stagnated at draft stage the surveys have not been issued.

6.3 Service delivery targets

Data on performance indicators is usually presented in the annual report. However, it is not included for 2019/20 as it is deemed not representative; where few audits are carried out, each carries a disproportionate weighting. As previously reported, a number of audits are issued out as memorandums rather than final reports and are not therefore included in the metrics.
Additionally, issues with customers not replying to audit reports means there is less data to measure and the data can become unrepresentative.

7. QUALITY ASSESSMENT & IMPROVEMENT PROGRAMME (QAIP)

7.1 In May 2018 an auditor undertook a self-assessment to evaluate Internal Audit's conformance with the PSIAS in preparation for the independent external review that (as per PSIAS) was required to be completed by March 2019. It was reported in last year's annual report that the IARM decided not to commission an external review, primarily due to the need to spend time delivering the audit plan rather than dealing with an external assessment and, for similar reasons, the action plan prepared from the 2018 self-assessment was also not delivered. This remains unchanged for last year 2019/20 as there were no plans to carry out an external review.

As reported in the last two years, the main issues identified from the self-assessment (and which remain) are:

- Auditor training on PSIAS changes introduced from April 2017
- On-going assessment and identification of auditor training and development needs
- Full review of the audit manual to reflect a number of initiatives introduced over the last two years (output from LEAN review of Jan 2017, changes to the QAIP, revised follow-up process).

7.2 The Resources restructure (effective from July 2019) removed responsibility for both insurance and risk management services from internal audit to allow for operational independence. The IARM spent a significant amount of time on insurance matters during 2018/19 and anticipated that by removing both of the service areas, time would become available to deliver the self-assessment and prepare for the external PSIAS review in 2019/20. This was not delivered due to absence of the IARM for most of the year. However, the IARM stated in the last report that he did not consider that there are any issues identified in the self-assessment or since, that would result in non-conformance with PSIAS.

Appendices

A. Summary of key findings and good practice identified from 2019/20 internal audit reviews.
B. Definitions used in the report

Deborah Moss: Acting Internal Audit Manager
Huntingdonshire District Council
July 2020

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Appendix A: A summary of the main findings from each audit report issued

Substantial assurance

Disabled Facilities Grants

Key findings

The review established that there is a robust control framework in place, with a high level of compliance.

Protocol Policy Mgt system

Key findings

- There is no appropriate process to monitor staff awareness of the ICT policies.
- A benefit realisation review of the solution has not been performed.

Adequate assurance

Staff Recruitment

Key findings

- There were only 3 cases of withdrawal after acceptance; and a bigger risk was found to be the number of unsuitable applicants or no applicants applying for positions
- a significant number of new recruits left within months of starting
- notice periods before start dates are not used effectively
- talent pools are not used to retain details of applicants we could employ in the near future
- recruitment statistics to highlight recruitment patterns/risks are not maintained

Good practice

- Staff's enthusiasm is in place to improve the recruitment at HDC
- Recruitment advice is tailored towards the individual Service
- Policy updates are already in the HR program
- Recruitment metrics are now being maintained, since the audit.

Housing Benefit 18.19

Key findings

- Sample levels of new claims checking are suspected to be too low to be meaningful
- The Policy and Procedure do not reflect what supporting documentation is accepted in practice
- The evidence List is not always referred to by front line staff which may cause further unavoidable contact
- Protocol for handling prime and valuable documents needs amending.

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Good practice

- Moves towards acceptance of electronic and copy documents to align with how customers receive documents (although the risk category still needs to drive what is accepted)
- Introduction of e-forms for new claims
- Development of uploading supporting documentation (soon to be introduced)
- Regular monitoring

Network Access Management Control

Key findings

- Formal policies are not in place for setting up new users to the network
- Password policy settings do not enforce nest practice for privileged access passwords
- Network access approval is not decentralised but approved through 3CSS who do not own roles
- Service line (non-IT) management do not review or update the systems register
- Live AD accounts were identified which are not registered to current staff according to payroll data.

Hardware & Software Asset Management

Key findings

- The Council's ICT asset database did not contain a location for 3 out of the 25 assets tested an there are no arrangements in pace to review the database on a routine basis.
- The Council's software inventory does not include the licensing information of the software purchased
- Whilst we observed adequate ICT asset management practices there is no formal defined policy in place.
- The ICT Asset Database does not record ICT assets as lost or stolen.

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Limited assurance

Purchase Order Compliance

Key findings

- Orders can be raised against any budget including that of another department
- Orders can be approved by any authoriser (not restricted to the budget holder of that particular budget or even an authoriser within the same dept)
- Authorisers are not shown remaining amounts in their budget before authorising a further purchase/commitment
- Orders under £100 are not [required to be] monitored
- Written procedures are not in place
- Retrospective orders are being made without any 'rules' around appropriateness/acceptability

Good practice

The TechOne Purchase Order system appears to be becoming embedded into normal working practice. Users reported that they are finding the system and its functionality quite easy to use now that they have had time to get used to it.

Delivery of Capital Schemes

Key findings

- There is a disconnect between the Project Management (PMGB) and Finance and Procurement (FPGB) Governance Boards. Typically, PMGB has been involved at too late a stage and communications between the two boards is not always effective.
- Internal decision making through the governance boards has historically impacted on project timescales and delays
- Challenge is weak, largely due to a lack of skills / knowledge
- There has been no "call-in" at FPGB, so delayed projects tend to flounder
- The roles of project sponsors and governance boards are unclear
- Some elements of the process are procedurally unclear
- Formal reporting requirements have not been clarified
- Service plans are not consistently reflective of capital plans / projects

Lone Working

Key findings

- Lone working procedures are haphazard and are locally, not corporately, designed
- New staff are not informed of lone working responsibilities and procedures at induction
- The Council Anyway project is not covering lone working
- Current risks assessments not in place for lone workers
- The Contracts Register is incomplete with regards to the CCTV software (including lone working software).

good practice

- In the absence of a corporate protocol on lone working, some Services have adopted their own local protocols to protect their staff.

- Staff are aware of lone worker risks and are willing and accepting of procedures to ensure colleagues are safe.

Land charges 18.19

Key findings

- It is not clear if the costs attributed against the land charges budget are complete and accurate as they could not be verified.
- Support cost fees are not clear.
- The spreadsheet used to calculate costs and fees is not supported by any guidance or procedure notes and is difficult to understand or interpret.

No opinion given – verbal feedback was given to the Senior Information Risk Officer (SIRO).

GDPR

Key findings

- No Info Governance Board meetings since June 2019. Past discussions and minutes are not very thorough about GDPR. Little evidence of any action.
- No follow up on actions and compliance towards GDPR since old IG manager left. Not known what IG team has done since June 2019 to date.
- Unclear what action plans, if any, are in place
- No evidence that all staff completed data protection an info security training

Annex A

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Appendix B: Assurance definitions: for information

Substantial Assurance	There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.
Adequate Assurance	There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited Assurance	There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
Little Assurance	There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meetings its objectives.

Internal control environment
The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

System of internal control
A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Public
Key Decision

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: External Audit Plan 2019/20

Meeting/Date: Corporate Governance Committee – 23 July 2020

Executive Portfolio: Councillor J A Gray – Executive Councillor for Finance and Resources

Report by: Finance Manager

Ward(s) affected: All Wards

Executive Summary:

In preparation for the 2019/20 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 2019/20 audit strategy.
- Audit risks.
- Value for Money Risks.
- Audit materiality.
- Scope of the audit.
- Audit team.
- Audit timeline.
- Independence.

Recommendation:

It is recommended that the Committee reviews the attached External Audit Plan 2019/20 **(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 2019/20 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 2019.

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

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 2019/20

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 2019/20 has been set at £1.865m 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 £1.399m (75% of the planning materiality). In addition misstatements greater than £93,000 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 show 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	April 2020	23 July 2020	Audit Plan
Risk assessment and scope setting	May 2020	23 July 2020	Audit Plan
Year-end audit	June/July 2020	October/November 2020	
Completion of audit	October/November	October/November 2020	Report to those charged with governance Audit Report Audit Completion Certificate Report to NAO on WGA
Conclusion of reporting	November 2020	30 November 2020	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 2019/20 is £66,200.

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.

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 2019/20 **(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 2019/20

BACKGROUND PAPERS

Ernst and Young Audit Plan

CONTACT OFFICERS

Claire Edwards, Chief Finance Officer
01480 388822

Huntingdonshire District Council

Audit Plan

Year ended 31 March 2020

1 June 2020

Building a better working world

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

1 June 2020

Dear Corporate Governance Committee Members

Audit Plan – 2019/20

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

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

Within the plan we have also reflected on the changes in the local audit environment and the increased compliance and regulatory requirements on delivering a quality audit service. As a result, we are proposing an increase to the scale fee. We have recently share the detailed basis of this proposal with officers and will continue discussions on the fee. Ultimately, we will seek agreement with PSAA.

[continued]

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 XX June 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel
Associate Partner
For and on behalf of Ernst & Young LLP

Contents

01 Overview of our 2019/20 audit strategy

02 Audit risks

03 Value for Money Risks

04 Audit materiality

05 Scope of our audit

06 Audit team

07 Audit timeline

08 Independence

09 Appendices

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 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the 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	Linking to the management override risk above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment as a separate risk, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Investment Property Valuations	Significant Risk	New risk	The Council's investment property portfolio is a material balance (£46.3m at 31 March 2019) disclosed on the Council's balance sheet. The Council has made another acquisition during 2019/20. RICS (Royal Institution of Chartered Surveyors) have issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations in the 2019-20 period; this follows uncertainties in the current economic climate and the impact upon commercial market rents. Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties. This leads to a risk of material uncertainty in the valuations of Investment Property within the Council's financial statements.

Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Property, Plant and Equipment Valuations (excluding Investment Property)	Inherent risk	No change in risk or focus	Property, plant and equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the internal valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance (£89.1m at 31 March 2019) disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Business Rates Appeals Provision	Inherent risk	New risk	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 consider this to be a higher inherent risk.

Other areas of audit focus

In addition to the above risks, we have identified two areas of audit focus.

Collection Fund – prior year adjustment

Management have now resolved the matter identified by MHCLG in autumn 2019 in respect of the collection fund and accumulated adjustments from 2013/14. We understand that as a result, the accounts will show a £2.4 million prior year adjustment to the collection fund. We will review the associated working papers and correspondence with MHCLG as well as complete our internal consultation process for prior year adjustments.

Going concern & financial resilience

Covid-19 has increased pressure on the Council's finances due to a reduction in non-government sources of revenue and increased expenditure. There is a risk to the Council's financial resilience and a need for appropriate disclosure of material uncertainties in finances over the next 18 months.

Overview of our 2019/20 audit strategy

Materiality

Planning materiality

£1.865m

We have set materiality at £1.865 million, which represents 2% of the prior years gross expenditure on provision of services, plus expenditure on parish council precepts, drainage board levies, interest payable and pension interest costs.

Performance materiality

£1.399m

We have set performance materiality at £1.399 million, which represents 75% of materiality and is the top end of our available range. This is an increase on the percentage used last year.

Audit differences

£93,000

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 £93,000. We will communicate other misstatements identified 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 2019/20 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Huntingdon District Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (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 audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion such as commercial investment strategies. Therefore to the extent any of these or any other risks are relevant in the context of Huntingdonshire District Council's audit, we have recently shared with management the impact on the scale fee. We will continue these discussions before seeking agreement with PSAA. In addition, in Section 8 we have included an indicative range for the additional work we will be conducting in response to the significant risks we have identified and included in this Plan. We will confirm these fees with management as the audit progresses.

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

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

These are set out on the following page.

What will we do?

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

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

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

Our response to significant risks (continued)

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

What is the risk?

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

We consider the risk applies to capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

This could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

What will we do?

Should capital expenditure be material to the financial statements, we will undertake additional procedures to address the specific risk we have identified, which will include:

- Testing a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately capitalised.
- Verifying that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Council's Movement in Reserves Statement.

Our response to significant risks (continued)

Investment Property Valuations

What is the risk?

The Council's investment property portfolio is a material balance (£46.3m at 31 March 2019) disclosed on the Council's balance sheet. A further investment property, the Tri-Link warehouse, was acquired for £14m in 2019/20.

RICS (Royal Institution of Chartered Surveyors) have issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations in the 2019-20 period. If a RICS Regulated Member concludes that declaring material uncertainty is not appropriate, there should be a sound rationale to explain the decision making process.

https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/valuation-coronavirus/

This guidance follows uncertainties in the current economic climate and the impact upon commercial market rents.

Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties.

This leads to a risk of material uncertainty in the valuations of Investment Property within the Council's financial statements.

What will we do?

We first assess the competency, capabilities and the objectivity of the external valuer before seeking to place reliance on their work.

Our procedures to address this risk will include agreeing the raw data (such as lease agreements and market rents) which have been sent by the Council to the external valuers. This will be completed through access to prime records.

Our approach will focus on:

- Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation (for example market rents).
- Considering changes to useful economic lives as a result of the most recent valuation.
- We will engage EY Real Estate as our internal specialists to review the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties. We apply special consideration to any disclosures or disclaimers resulting from Covid-19.
- Testing accounting entries have been correctly processed in the financial statements.

Other inherent risks

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

What is the risk/area of focus?	What will we do?
Property, Plant and Equipment Valuations (excluding Investment Property) The fair values of Property, Plant and Equipment (PPE) represent a significant balance in the Council's financial statements (£75.96m at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. The Council engages an external expert valuer who will apply a number of complex assumptions to these assets. Annually, assets are assessed 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.	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; ▸ Review assets not subject to valuation in 2019/20 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 inherent risks (continued)

What is the risk/area of focus?	What will we do?
Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £89.1 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: ▸ 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 Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What is the risk/area of focus?	What will we do?
Business Rates 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.	We will: ▸ 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

What is the area of focus?	What will we do?
Collection Fund – prior year adjustment (PYA) The accounts will show a £2.4 million PYA to the collection fund relating to an accumulated adjustments from the 2013/14 business rates return to MHCLG.	We will review the associated working papers and correspondence with MHCLG to support the PYA as well as complete our internal consultation process for a PYA.
Going concern disclosures Covid-19 has created a number of financial pressures throughout Local Government. For the Council its other sources of income such as car parking are being adversely impacted. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.	In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist. These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19). Our audit procedures to review these will include consideration of: ▸ Current and developing environment; ▸ Liquidity (operational and funding); ▸ Mitigating factors; ▸ Management information and forecasting; and ▸ Sensitivities and stress testing.

03 Value for Money Risks

Value for Money

Background

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

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

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

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

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

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

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

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

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

In April 2020, the NAO updated the Auditor Guidance Note 3 for local authorities to include specific guidance in relation to Covid-19. They noted the response to Covid-19 will have significant implications for local government bodies. Bodies will need to adapt many, if not all, of their arrangements to adjust to both significant increases in demand for some services and new ways of working as a result of the severe restrictions placed on the public from 23 March. However, it was also clarified that unless there is clear evidence of significant failings in the Authorities' arrangements during the 2019-20 financial year, it would not be appropriate to identify a significant risk in this area. We have not become aware of any such failings and therefore no significant risk has been identified in relation to Covid-19 at this stage.

Following our planning procedures we have not identified a significant risk to our value for money conclusion but we will continue to review the resilience of the Council's MTFS and commercial activity as regards investment properties during the course of the audit.

We will continue to revisit this assessment as our audit progresses and update the Corporate Governance Committee of any changes.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £1.865 million. This represents 2% of the Council's prior year gross expenditure on net cost of services, plus expenditure on parish council precepts, drainage board levies, interest payable and pension interest costs. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Expenditure for Materiality purpose
£93.236m

Planning materiality
£1.865m

Performance materiality
£1.399m

Audit differences
£93,000

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 £1.399 million which represents 75% 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 higher end of the range which is an increase 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).

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

Procedures required by standards

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

Procedures required by the Code

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

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

Our intention is to carry out a fully substantive audit in 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

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

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

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

Internal audit:

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

06 Audit team and use of specialists

Audit team

The engagement team is led by Suresh Patel for his second year as Associate Partner on the audit. Suresh 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).

Suresh is supported by Liz Jackson and Will Turner who are responsible for the day-to-day direction of audit work. Will be 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 (Barker Storey Matthews) 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.

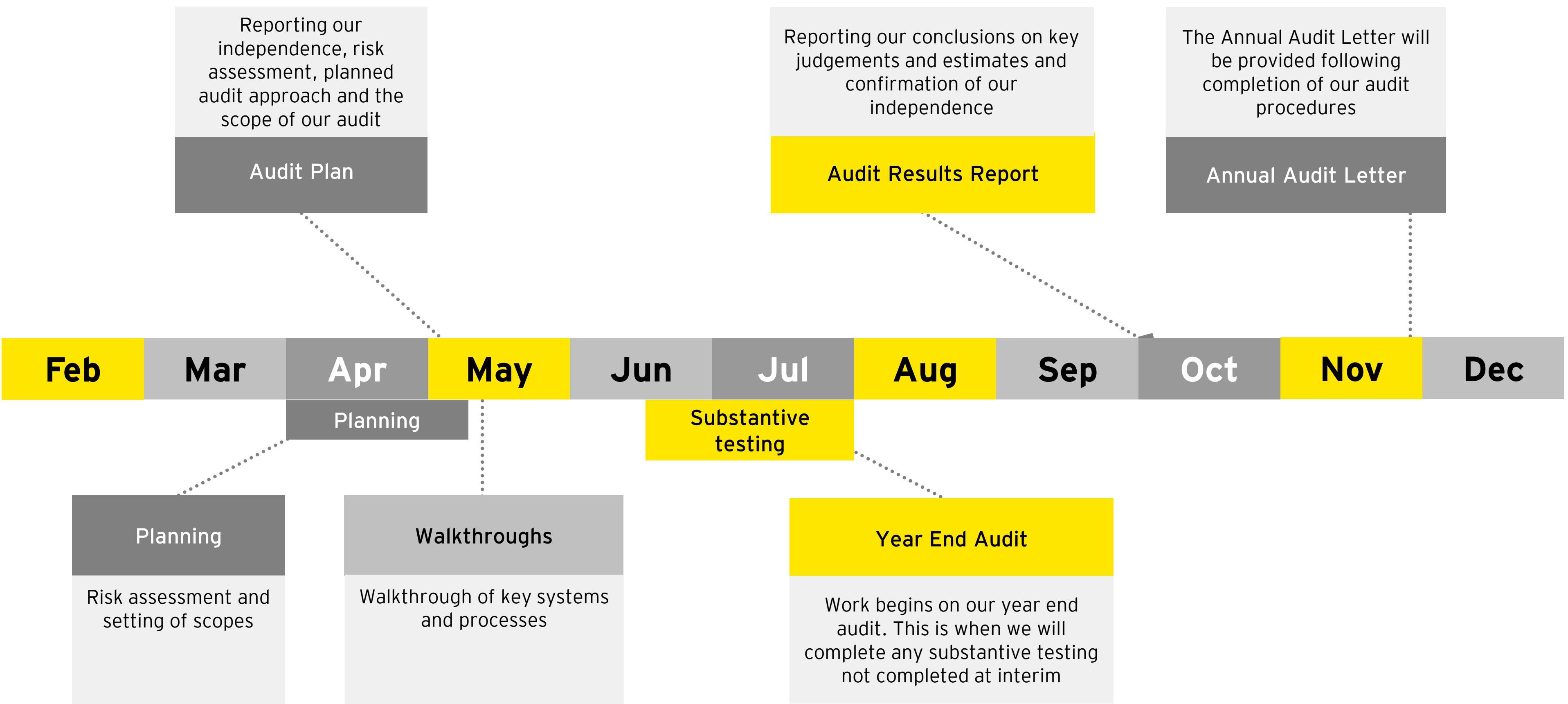
07 Audit timeline

Proposed timetable of communication and deliverables

Proposed timeline

Below is a proposed timetable we have shared with officers showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. We are currently working through precise dates. If anything changes we will update officers and the Committee as soon as we can.

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 June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▸ 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. ▸ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	▸ 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 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; ▸ Written confirmation that all covered persons are independent; ▸ 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 any contingent fee arrangements for non-audit services provided by us or our network firms; 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 also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standards or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services and therefore we do not need any additional safeguards.

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

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards (cont'd)

Management threats

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

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

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. We commenced some of the agreed upon procedures on the certification arrangements. Our current fee level is £12,400 however we will update you should this amount change.	Self review threat – figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2019/20. The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf

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

	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work (note 1)	40,992	40,992
Additional fees (note 2)		
- Impact of 50% performance materiality	-	12,500
- New General Ledger	-	17,450
- Involvement of EY Real Estates	2,000-5,000	2,500
- Additional audit overruns & delays	-	3,100
- Auditing the PYA	1,000-2,000	-
- Impact of Covid-19 on the audit including EY consultations	TBC	-
Total audit	40,992	76,542
Non-audit services:		
Housing Benefits (note 3)	12,400	12,400
Housing Benefits extended testing	-	11,500
Total other non-audit services	12,400	23,900
Total fees	53,392	100,442

All fees exclude VAT

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

Note 1: For 2019/20 we do not believe the existing scale fees provide a clear link between a public sector organisation's risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. Further background and context of the audit fee for 2019/20 is set out on the next two pages.

We have discussed this context and the fee implications for 2019/20 as we see them with the Finance Manager. Based on the Council's risk profile, we have estimated the indicative fee for 2019/20 to be £66,200. We have recently shared more detail to support our proposal with the Finance Manager. We will update the Committee on the fee discussions ahead of our audit results reporting later this year before seeking PSAA approval.

Note 2: Where possible we have included a range for the additional fees associated to known new risks and areas of audit focus. We will revisit these ranges on completion of the work and seek agreement with the Finance Manager.

Note 3: You engage us to act as reporting accountant for the housing benefits certification work. This is the base fee.

The fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

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

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as the Council the extent of audit procedures now required mean it will take 800-850 hours to complete a quality audit. A commercial benchmark for this size of external audit would be in the region of £80,000. Your scale fee is £40,992 and our current proposal for 2019/20 is £66,200.

Summary of key factors

1. **Status of sector**. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.

- To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

2. **Audit of estimates**. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.

- To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.

3. **Regulatory environment**. Other pressures come from the changing regulatory landscape and audit market dynamics:

- Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
- This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

4. **Recruitment and retention.** As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

(continued)

Fees (continued)

Summary of key factors

4. **Recruitment and retention (continued)**

- We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
- We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Required communications with the Corporate Governance Committee

We have detailed the communications that we must provide to the Corporate Governance Committee.

Required communications	What is reported?	Our Reporting to you 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	Audit Plan - June 2020
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - October 2020

Required communications with the Corporate Governance Committee (continued)

Our Reporting to you

Required communications	What is reported?	When and where
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 - October 2020
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 - October 2020
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 - October 2020
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.	Audit Plan - June 2020; and Audit Results Report - October 2020

Required communications with the Corporate Governance Committee (continued)

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - October 2020
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 - October 2020
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report - October 2020
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - October 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - October 2020
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 - October 2020

Required communications with the Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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	Audit plan - June 2020 Audit Results Report - October 2020
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 - October 2020

Appendix C

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 consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the 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.

Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

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ED None

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Code of Financial Management 2020/21

Meeting/Date: Corporate Governance Committee – 23 July 2020

Executive Portfolio: Councillor J A Gray – Executive Councillor for Finance and Resources

Report by: Finance Manager

Ward(s) affected: All Wards

Executive Summary:

The Code of Financial Management is reviewed on an annual basis to ensure that it reflects current legislation and the changing needs of the Council. This policy underpins financial governance in the Council and is an annexe to the Council's Constitution.

The Code of Financial Management is the Council's primary financial policy which sets out the financial responsibilities and is updated on an annual basis to ensure that the Code provides clear and updated guidance of responsibility and accountability for the 2020/21 financial year.

Recommendation(s):

It is recommended that the Panel agrees the report and recommends to Council the approval of:

- The Code of Financial Management, **Appendix 1**

1. PURPOSE OF THE REPORT

1.1 The Code of Financial Management are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. This policy underpins the financial governance of the Council and are incorporated in the Constitution.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 The Code of Financial Management is the Council's primary financial policy and sets out the financial responsibilities, financial and service planning, control of financial plans, cash and credit management and accounting procedures.

3. OPTIONS CONSIDERED/ANALYSIS

3.1 Changes to the Code of Financial Management are minimal, throughout the document DRFO has been changed to RFO as there is no Deputy Responsible Finance Officer; CMT has been changed to CLT (Corporate Leadership Team) and added in is Assistant Director where appropriate. All limits and processes remain the same.

4. KEY IMPACTS / RISKS

4.1 The emphasis of this report is to recognise the risks that underpins the financial operation of the Council and ensure that these are kept relevant to the organisation.

4.2 The Finance Governance Board (FGB) or equivalent, an officer led governance arrangement adds an additional level of control in mitigating financial risks with its scrutiny and challenge.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 Upon approval, these codes will be the requirements for financial and procurement operations.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

6.1 The Code of Financial Management comes under the "Becoming a more efficient and effective council".

7. LEGAL IMPLICATIONS

7.1 The Code of Financial Management have been updated to reflect current legislation and regulations, aiding the Councils' compliance.

8. RESOURCE IMPLICATIONS

8.1 There are no direct cost implications arising from this report, however the both of these codes promote best practice and best value in the management of the Councils resources.

9. OTHER IMPLICATIONS

9.1 There are no known other implications at this time.

10. REASONS FOR THE RECOMMENDED DECISIONS

10.1 The Code of Financial Management support the internal governance framework of the Council, they also form part of the Councils constitution. This annual review seeks to ensure that they continue to be relevant and up to date, reflecting any new statutory regulations or changes in local management and practice.

11. LIST OF APPENDICES INCLUDED

Appendix 1 - Changes to Code of Financial Management

CONTACT OFFICER

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Justin Andrews
Assistant Director Corporate Services
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Code of Financial Management

1. FINANCIAL RESPONSIBILITIES

General

1.1. Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision, or for making a recommendation to that body or person(s), shall consider a written report, approved by the officer accountable for the appropriate budget, detailing the financial implications.

The Council

1.2. Will:

- determine the Council's Medium Term Financial Strategy (MTFS), approve the annual budget and set the level of the Council Tax.
- approve the Council's Treasury Management Strategy (TMS) and prudential indicators.
- approve changes to this code.

The Corporate Governance Committee

1.3. Will:

- ensure that the financial management of the Council is adequate and effective.
- ensure that the Council has a sound system of internal control including arrangements for the management of risk.
- consider the Council's code of corporate governance and approve the annual statement.
- approve the internal audit charter and the annual internal audit plan and comment on the external audit plan.
- approve the Council's Annual Financial Report (AFR), which includes the statutory accounts.
- consider reports from the external auditor.
- recommend changes to this code to the Council.

The Cabinet:

1.4. Will propose to the Council:

- the MTFS.
- the annual budget and Council Tax level.
- a combined annual report including the TMS, Treasury Management Policy, and the Treasury Management and Commercial Investment Strategy prudential indicators.

- after considering the views of the appropriate Overview and Scrutiny Panel and representatives of the business community, set financial priorities, allocate and re-allocate resources in accordance with the limits in this code, monitor and review financial performance.
- approve the Risk Management Strategy.

Overview and Scrutiny Panels

1.5. Will contribute to the development of, and review the effectiveness of, the Council's MTFS, Treasury Management and annual Budget.

Cabinet and Committees (and sub-committees)

1.6. Will ensure that all decisions within their remit are made within the relevant budgets and are consistent with achieving the Council's corporate plan and adopted policies. If they wish to make proposals that will require additional resources, these will need to be subject to officers, the Cabinet or the Council making these available through the normal process.

Budget Managers and Executive Councillors

1.7 Will own and manage the budgets within their responsibility. Specifically, they will effectively plan and control financial activity to ensure efficient and effective use of resources. Budget Managers should ensure that the full financial implications of all decisions are properly assessed and highlighted to decision makers.

1.8 Will take lead responsibility for planning the Budgetary Cycle, including monitoring and forecasting of revenue activity so far as it is related to those budgets.

Members and Employees

1.9. Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this code and any systems, procedures, or policies relating to the financial management of the Council.

1.10. Specifically, they shall bring to the attention of the Responsible Financial Officer (RFO) any act or omission that is contrary to the provisions of this code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer (MO), Internal Audit Service or the Council's external auditors.

1.11. Any member or employee who is involved in a transaction with the Council, or who has an ***interest*** in a transaction between a third party and the Council, shall declare the nature and amount to the MO before any decision on the matter is made by the Council. The MO will advise the member or employee of any actions they should or must take.

1.12. For the purpose of this section an interest also includes any interest of a member of your family or a close associate or acquaintance. This shall be interpreted as anyone whom a reasonable member of the public might think you would be prepared to favour or disadvantage.

The Monitoring Officer (MO) or, in their absence, the Deputy Monitoring Officer (DMO)

1.13. Will report to the Council on any proposal, decision or omission that in their view is likely to result in a contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.

1.14. For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

The Responsible Financial Officer (RFO)

1.15. Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).

1.16. Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Committee.

1.17. For these purposes they shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.18. The DRFO officer will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the RFO, approving new financial systems and undertaking such duties as are set out in this code.

Budget Managers (Team Managers, Heads of Service, Assistant Directors, Corporate Directors and Managing Director)

1.19. The Council's management structure is based on Team Managers, Heads of Service, Assistant Directors, Corporate Directors and the Managing Director taking responsibility for a service and its related budget. For the purpose of this Code they are referred to as Budget Managers. Whilst they retain ultimate responsibility they will often delegate appropriate tasks to their members of staff.

The Budget Manager responsible for a budget:

- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control and will be responsible for informing the Internal Audit Manager of all suspected or notified cases of fraud, corruption or impropriety.
- will be responsible for preparing and submitting the capital project appraisal form for approval.
- will be responsible for developing and submitting a detailed business case if required (following approval of the capital project appraisal form).
- may incur financial commitments and liabilities in accordance with this Code, the Council's scheme of delegation and resources allocated in their budgets. In particular they may make purchases of goods and services, subject to the requirements of the code of procurement, and employ staff, in accordance with HR policies and any CLT requirements.
- will need approval from their Head of Service or Assistant Directors in consultation with Corporate Director for appointments for vacant posts at Grade D and below.
- will need approval from CLT for the appointment to vacant posts of Grades E and above.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- will, in accordance with the risk management strategy determine the inherent risks within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of risk management and internal control, in consultation with the Internal Audit service, and ensure that relevant employees or Members are familiar with such systems.
- will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- will be responsible for improving the value for money and efficiency of their services and in discussion with their accountant, ensuring that any budget adjustments are included in the following years budget process.
- will be responsible for identifying opportunities and then bidding for grants or contributions from other bodies to support the achievement of the Council objectives through their services.
- annually review their services to identify any aspects that are not currently charged for, but could be and the appropriateness of the current charges.
- annually review their fees and charges in line with the Fees and Charges guidance for managers and in consultation with the Executive Councillors, with any changes being included in and approved with the annual budget. Changes within the financial year will be subject to consultation with the Executive Councillors and approved by the RFO. In doing so:

    - charges should be made for services whenever the Council has a power or duty to do so.

  - however, this presumption may be modified by the application of the charging principles set out at below, which may result in no charge being made or a lesser charge being made or in some cases a charge being made which is greater than that required for cost recovery.
  - no charge will be made in cases where the Council is not permitted to charge by law. Where charges are set by external bodies, those charges will be applied. Where maximum or minimum charges are specified externally, charges will be set in compliance with those requirements.
  - when deciding to set a charge which is not based on cost recovery, general areas of consideration are set out at in the Fees and Charges Guidance for Managers. This provides relevant factors which should be taken in to account.
  - where without prior agreement by the Council, individuals or organisations engage in activities that result in a cost to the Council, the Council will seek to recover this cost, wherever possible.
  - consideration may be given to offering a discount or other reduction, in appropriate cases, where it is felt that this may improve take up of the service or to encourage prompt payment, following consultation with Head of Services or Assistant Director and the S151 Officer.
  - activities carried out by the Council will be continually reviewed in order to identify any new areas where it would be appropriate to make a charge to persons or organisations benefiting (actually or potentially) from those activities. The level of the charge will be determined in accordance with these charging principles.

- will be accountable for the delivery of services, projects, contracts within the budgets set by the Council.
- will be accountable for financial performance and ensuring, wherever possible, appropriate comparisons are made against service standards or other organisational comparators.

Internal Audit

1.20. Will be responsible for providing an independent and objective opinion on internal control and governance systems. It will act in accordance with the internal audit charter and undertake reviews that focus on areas of greatest risk to the Council's control environment as contained within a programme agreed annually by the Corporate Governance Committee after consultation with the RFO and budget managers.

1.21. For these purposes internal audit shall have free, full and unrestricted access to services and functions and all Council assets, systems, documents, information, employees and Members. All employees are required to assist internal audit to carry out its role.

2. FINANCIAL AND SERVICE PLANNING

June - Overall review

2.2. The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of the provisional outturn report prepared by the RFO in conjunction with budget managers.

August to January – Preparation of the draft budget and MTFS

2.3. The RFO in conjunction with budget managers will review and prepare the draft annual budget and the MTFS for review by Cabinet after consultation with the relevant Overview and Scrutiny panel.

February - Annual budget, MTFS and service plans

2.4. The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTFS for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies. Following approval of the annual budget each budget manager shall update their service plan(s) to reflect the approved budget and how the resources allocated will be used to meet service objectives in the forthcoming year.

March to May – Annual Financial Report (AFR)

2.5. The RFO in conjunction with the budget managers will prepare the AFR. The AFR includes the statutory annual accounts which subject to external audit will be approved by both the RFO and Corporate Governance Committee.

3. CONTROLLING FINANCIAL PLANS

Financial Monitoring

3.1. Budget Managers will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services. Where it is identified that there will be a significant overspend or underspend, this will be promptly reported to the RFO by the budget manager. If it is considered necessary by the RFO in delivering projects or programmes, the same discipline will apply.

3.2. On a periodic basis the financial and overall performance of the Council will be reviewed by the budget managers and the relevant Executive Councillors. This will include trend and forecast data and, where available comparative data.

3.3. CLT will review, on a periodic basis, the Financial Performance Monitoring Suite (FPMS). The FPMS will be reported to Cabinet on a quarterly basis. The FPMS will be prepared by the RFO, in consultation with each Head of Service or Assistant Director and budget manager to include comparisons with other service providers and local trend data.

Commitments to Expenditure in Future Years

3.4. No new commitment to expenditure beyond the current budget year may be made unless it:

- is consistent with the achievement of the Council’s objectives and other relevant strategies, and
- is compatible with the Council's MTFS.

Grants, Cost Sharing and S106/CIL agreements

3.5. Where a budget manager proposes to take advantage of:

- receipts of grants, contributions and other forms of external funding, or
- enter cost sharing arrangements,

3.6. With other organisations, and where such arrangements will deliver additional or improved services, consistent with their service plan without creating any current or future commitment to net expenditure they may do so subject to:

- the relevant Head of Service or Assistant Director being satisfied that the project funding meets with corporate objectives and that the resource required to produce the bidding documents is reasonable.
- the funds being dependent upon a particular project or service being provided but, in the case of S106/CIL agreements, the location or some other aspect is at the Council’s discretion.
- informing the RFO of the details.
- consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year with any capital having been previously agreed with the MTFS or any discretionary element of a S106/CIL agreement.

3.7. A budget manager may utilise sums of money received under S106/CIL, or equivalent agreements where there is no discretion. The RFO should be informed of the details including:

- A copy of all information that supports the grants received (grant letter etc) so a decision can be made in respect of the correct accounting treatment.
- Documentation confirming how they plan to meet any grant conditions, including suitable monitoring and reporting arrangements.

Approvals for additional spending with a net impact

3.8. The Managing Director, or in their absence, the RFO, may incur expenditure for the immediate alleviation of hardship or suffering in the case of peacetime emergency in the district. Any exercise of this power must be reported to the Cabinet (under £500,000) or the Council (over £500,000) at the first opportunity.

3.9. The Managing Director, or in their absence, the RFO, may incur expenditure of up to £500,000 for any purpose which is urgent and demonstrably in the Council's best interests to do so following consultation with the Executive Leader or Deputy Executive Leader. Any exercise of this power must be reported to the Cabinet at the first opportunity.

Approvals for additional spending with compensating savings

3.10. Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:

- consistent with increasing the achievement of the Council's objectives and compatible with relevant strategies.
- achievable within the Council's MTFS.
- supported by a robust business case which includes a risk assessment.
- supported by CLT.

3.11. The RFO may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for Resources. The relevant budget(s) and MTFS will be appropriately adjusted.

Budget Virements

3.12. The process of moving budget resources between different areas within the budget year is called a virement. The virement of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money.

3.13. These limitations are:

- The salary budgets (pay, national insurance and pension) represent the Councils approved establishment list. As such the salary budgets cannot be vired to other areas of the budget. A positive salary budget variance may be used to cover the additional temporary staffing costs incurred due to vacant posts.
- The corporate finance budgets are those budgets that are necessary to the operation of the Council and have limited controllability. Such budgets included with this area are; minimum revenue provision, interest, pension liability and levies. Changes to the corporate budget can only be made by the RFO following consultation with the Head of Paid Service.
- Not from capital to revenue.

3.14. A Budget Manager may approve a budget virement within and between the budgets they are responsible for providing it is:

- Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's financial and other relevant strategies.

- Only a movement of establishment posts to another service as part of a service restructure.
- Notified to the RFO.
- Each virement is over £5,000.
- Within the following limits if between service budgets:

  - Revenue to revenue £75k
  - Revenue to capital £75k
  - Capital to capital £75k

3.15. CLT may, subject to the same criteria, except for the enhanced limits shown below, approve budget virements between any budgets:

  - Revenue to revenue £250k
  - Revenue to capital £250k
  - Capital to capital £250k

3.16. Cabinet may approve budget virements of up to:

  - Revenue to revenue £500k
  - Revenue to capital £500k
  - Capital to capital £500k

3.17. In all cases, any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded. Providing there is no increase in the “budget requirement”, Cabinet can approve the application of reserves to meet additional expenditure in line with the reserves strategy.

3.18. In all other cases the approval of the Council will be required.

Price Base Changes

3.19. Inflation will be included, if necessary during the budget process as directed by the RFO.

Capital Programme

3.20. The Finance Governance Procurement Board (FGPB) or equivalent will review and recommend to CLT those schemes that should be included in the capital programme, the MTFS and be approved by Cabinet.

3.21. FGPB may recommend changes to existing schemes or the introduction of new schemes during the financial year based on the performance of, or delays incurred within the delivery of the approved capital programme plan. Changes to the schemes in the MTFS will be approved by Cabinet.

4. CASH AND CREDIT MANAGEMENT

Banking

4.1. The RFO is responsible for all Council banking arrangements and shall maintain an account(s) with an appropriate bank(s) as defined in the Treasury Management Strategy (TMS). All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

Income

4.2. All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the RFO to ensure that the sums are properly recorded, receipted and banked.

4.3. No cash payment in excess of £1,000 will be accepted.

4.4. The Chief Operating Officer (Assistant Director) will manage the Council Tax and Non-Domestic Rating collection service on behalf of the Council; including the billing and debt recovery procedures.

4.5. The RFO shall manage a sundry debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's financial management system.

4.6. All budget managers are required to ensure that:

- Invoices and invoice adjustments are raised promptly.
- Invoice queries are answered promptly.
- The Income Team are informed of any information that may affect the recovery of any invoiced sums.
- All debts are collected in a timely fashion.
- They periodically consider, in liaison with the Income Team, whether there would be a more effective or efficient way of collecting sums due (e.g. cash in advance).
- They comply with the Debt Management Policy.

Treasury Management

4.7. All treasury management activities will be undertaken in accordance with the Council's annual Treasury Management Strategy (TMS), which includes the policies, objectives, risk management approach, and the treasury management and commercial investment strategy prudential indicators. The strategy will comply with the Code of Practice for Treasury Management and the Prudential Code for Capital Finance, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and reflect any published Government advice. The execution and administration of treasury management is delegated to the RFO.

4.8. The Council shall have overall responsibility for treasury management and will formally approve the annual TMS and receive an annual and mid-year report on treasury management activities.

4.9. The Cabinet will be responsible for the implementation and regular monitoring of treasury management activity. The Treasury and Capital Management Group will include:

- the Leader, Deputy Leader and the Executive Councillor for Resources. Other members can be co-opted onto the group at the discretion of the Executive Leader.
- the RFO and as and when necessary the Managing Director and/or Corporate Director (Services). Other officers can be co-opted onto the group at the discretion of the Managing Director or the RFO.

4.10. The Overview and Scrutiny (Performance and Customers) Panel will be responsible for the scrutiny of treasury management.

Payments

4.11. All payments made by the Council must be made either:

- through the Council's purchase ledger system, with payments being made direct to the supplier’s bank account wherever this is practicable.
- by procurement card.
- by direct debits or standing orders (after agreement from the RFO).
- by some other system specifically approved by the RFO.

4.12. In each case complying fully with the relevant procedures for that system (e.g. appropriate authorisation), particularly the requirement to obtain official VAT receipts, as determined by the RFO. Advice can be sought from the RFO.

5. ACCOUNTING REQUIREMENTS

Best Practice

5.1. The Council will follow the best practice guidance contained in the Accounting Code of Practice and other relevant publications produced by CIPFA in the preparation and maintenance of its accounts.

Records

5.2. Each budget manager is responsible for maintaining records of their financial transactions and commitments, that they are in the appropriate financial period and with the appropriate account codes. Each budget manager is responsible for ensuring that the financial management system is used only by authorised individuals and for proper council purposes.

Retention of Documents

5.3. Documents required for the verification of accounts, including invoices, will be retained for six years plus current year.

Contingent Assets and Liabilities

5.4. Any officer who is aware of a material and outstanding contingent asset or liability shall notify the RFO, who shall include details in the Council's accounts or in a Letter of Representation to be presented to the Council's external auditors in respect of those accounts.

Stock

5.5. The RFO shall determine, after consultation with the relevant budget manager, when stock accounts shall be maintained. This will normally be where the value of the items are significant or the items are considered to be vulnerable to loss or theft.

5.6. In such cases the relevant budget manager shall ensure that a certified stock-take is carried out at the end of March each year, and that records of receipt and issue of all stock are maintained throughout the year in a manner agreed with the RFO.

Insurance

5.7. The Internal Audit Manager shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be based on a detailed risk assessment and reported to the Executive Councillor for Resources.

Write-off of Irrecoverable Debts

5.8. The Head of Service or Assistant Director where the debt originated or the RFO is authorised to write-off debt with an individual value up to £5,000. Greater than £5,000 requires consultation with the Executive Councillor for Resources. Appropriate steps must be taken to ensure that the debt is irrecoverable or cannot be recovered without incurring disproportionate costs.

Accounts Closure, Accounting Accruals and Estimates

5.9. The AFR will be produced in line with both statutory regulations and relevant Codes of Practice.

5.10. The RFO will ensure that there is appropriate liaison with service teams prior to closure, including the hosting of relevant training and the issue of closure guidance and timetables. The accruals de-minimis limits will be adhered to by all services, and where estimated accruals are to be issued they are to be supported by accurate calculation. Other accounting estimates will be calculated by finance staff in line with professional advice.

5.11. Provisions, either for bad debts or other purposes will be calculated in line with the guidelines approved by the RFO. Earmarked reserves will be operated in line with the reserves strategy.

5.12. The accounts of the Local Authority Trading Company, HDC Ventures and possibly the Joint Venture Company will need to be included within the Council's accounts and in particular, any guarantees that the Council gives in respect of the Company should be counted as a liability of the Council under the accounts.

Assets

5.13. An asset is an item of land, building, road or other infrastructure, vehicle or plant, equipment, furniture and fittings or information and communications technology (hardware and software) with a life exceeding one year.

5.14. The acquisition and disposal of assets will be completed in accordance with the Disposal and Acquisition of Land and Buildings Policy. In addition, there is a new Disposal of Small Land Parcels Policy.

5.15. The financial thresholds for both disposals and acquisitions are as shown in the table below:

£0 - £500,000	Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources
£500,000 to £2,000,000	Treasury and Capital Management Group
£2,000,000 +	Cabinet

5.16 The financial thresholds of the sale or transfer of small land parcels are shown in the table below:

Thresholds of the Sale or Transfer of Small Land Parcels		**Table 1**
All sales and transfers will include the transfer of all associated liabilities.		**Minimum Administration Charge (*)**
Transfer of Small Land Parcels to Other Public Bodies		
£0 - £10,000	Finance Manager (as Section 151 Officer),	£500

£10,000 - £50,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer),	£1,000
£50,000 - £100,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer), in consultation with the Executive Member for Strategic Resources.	£1,500
£100,000 - £500,000	Treasury & Capital Management Group.	£2,000
£500,000+	Cabinet.	£3,000
Sale of Small Parcels of Land		
£0 - £10,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer).	£1,000
£10,000 - £100,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer), in consultation with the Executive Member for Strategic Resources.	£1,500
£100,000 - £500,000	Treasury & Capital Management Group.	£2,000
£500,000+	Cabinet.	£3,000

* This Administration Charge excludes all legal and other ancillary costs. Further it is the minimum charge that any prospective purchaser will pay. If any sale requires additional officer time beyond what would reasonably be expected, the vendor will be required to meet this higher charge.

5.17 Each Budget Manager is responsible for ensuring that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This will include establishing and maintaining appropriate security, control systems and records. They will need to consult relevant officers in relation to specialist items and, where vehicles are concerned, the officer holding the Council's operating certificate who has specific statutory responsibilities.

5.18 Heads of Service or Assistant Director must keep up to date records so a physical verification of all capital assets, and their condition, is possible.

5.19 Once the asset is disposed of, the relevant budget manager will inform the RFO within 10 working days of the disposal of any asset included in the asset register.

Capital Expenditure

5.20 The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000 will not normally be treated as capital expenditure unless the RFO considers it is in the Council's interests to do so.

Leases

5.21 Finance and operating leases are to be used only if they are in the Council's financial interest and with the prior formal approval of the RFO.

Valuations

5.22 In order to comply with accounting requirements, assets will need to be revalued at regular intervals. A three year "phased" revaluation programme will be followed, other than for:

- those assets that are categorised as "investment" properties (e.g. industrial units), which must be revalued every year, or
- where, following significant capital investment or disinvestment in an asset within an asset group, whereby the whole asset group will be revalued.

5.23 All capital asset revaluations for the AFR will be obtained by the DRFO.

6 Update of the Code of Financial Management

6.1 A review of the Code will be undertaken on an annual basis and this will be presented to the Corporate Governance Committee for approval during the financial year.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Plan 2020-21
Meeting/Date:	Corporate Governance Committee – 23 July 2020
Executive Portfolio:	Cllr J Gray (Resources)
Report by:	Internal Audit
Ward(s) affected:	All Wards

Executive Summary:

The Committee has responsibility under its terms of reference for ensuring that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Manager resigned from post in March 2020 following two lengthy periods of absence within the audit year. Whilst an Internal Audit Plan was prepared for the first six months of the year 2020/21, the COVID situation overtook events before this Plan could be approved by Committee.

As a result of COVID, the Internal Audit Service was paused in March and both auditors redeployed to assist COVID priorities (Business Grants, Recovery, etc) for the first half of the year.

The Plan for the second half of year is a more flexible offering, given the ongoing pandemic situation and potential for future impact, but Committee should note that the vacancy and the subsequent impact on service resources, together with additional work that may still be required to support COVID going forward, may impact the accuracy or deliverability of a fixed Plan. Additional resource for general audits may be sought from BDO audit service, who currently provide our IT audit service.

Providing an annual audit opinion for 2020/21 is currently at risk as there is unlikely to be sufficient coverage of audit activity. A partial opinion with a caveat is predicted given the unprecedented circumstances of this year and the limited audit resources.

There will be a commitment by the team to completion of the quarterly audit reviews of the key financial systems as a priority so assurance can be gained from these areas. The intention is to keep the Plan flexible so that any requests

or system changes in these unprecedented times can be best accommodated. Any changes to the Plan will be discussed with the Chair.

The Committee is

RECOMMENDED

- To review and approve the Internal Audit Plan for the period October 2020 to March 2021

1. PURPOSE OF THE REPORT

1.1 To highlight to Committee the planned Internal Audit coverage for the second half of the year October 20 – March 2021 and to recommend that this is approved by Committee.

2. BACKGROUND

2.1 The Accounts and Audit Regulations 2015 require that the Council '…..must undertake and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Audit Standards (PSIAS) or guidance'. The Council have adopted the PSIAS through the Committee's Terms of Reference.

2.2 The Council requires the Internal Audit to "establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals". The risk-based plan must also:

- take into account the requirement to produce an annual internal audit opinion;
- incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council's objectives and priorities;
- explain how internal audit's resource requirements have been assessed; and
- include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Furthermore, the IAM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. ANALYSIS
Available resources and evaluation

3.1 The Resources Service underwent a formal restructure and changes were effective in the Internal Audit Service from July 2019. This resulted in the transfer of the Insurance and Risk Management Services away from the Internal Audit Service. All posts within the Internal Audit Service were downgraded. Earlier this year the Audit Manager resigned and the Service has now only consists of the two remaining Auditors, both of which are part time. One has now stood up as the Acting IA Manager, although in the current COVID environment, IA resource has been redeployed onto more urgent assurance tasking and regular IA suspended. To service the 2020/21 Audit plan, additional resource from our existing partners at BDO will be arranged. Going forward, additional internal resource will be recruited to fill and enhance the function.

3.2 In addition to the delivery of internal audit reviews, time should also be allocated to the following, where possible:

- preparing for the five yearly independent assessment of internal audit as required by PSIAS (although this may be deferred due to resourcing and COVID reasons)
- increasing the number of follow-up reviews on actions that have been declared by managers to be fully implemented
- providing support to the Council's transformation programme
- continuing support for COVID-related work.

Internal Audit Plan

3.3 Annual internal audit plans have been prepared for many years based on an audit universe that contained details of all systems and significant processes. For the last few years the audit universe has continued to be maintained and updated with risks recorded on the Council's Risk Register. A significant amount of time is spent preparing the Annual Plan and scheduling audits across the year, only for the plan not to be fully delivered due to the need to advance, defer, add or remove audits throughout the year.

3.4 The Committee agreed last March that the approach to focusing on current and future risks would continue and that the audit plan should be prepared on a six-monthly basis. This plan follows that agreement.

3.5 Due to the need for COVID actions now and an uncertain future need, the Plan has been prepared on a priority basis - ensuring that reviews of key financial internal control systems are completed followed by areas of current risk. Corporate Governance Committee members and the Senior Leadership Team were asked for ideas or suggestions of areas that could be considered for inclusion in the plan. Committee may wish to consider what they consider to be priority work/risks.

Other sources of assurance

3.6 The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any planned independent reviews from which assurance could be obtained so as to avoid/minimise duplication of effort.

4. RISKS

4.1 Non delivery of the Internal Audit Plan, or not undertaking sufficient work across the Council's control environment (the framework of governance, risk management and control), along with the absence of the Internal Audit Manager, may affect the ability to provide the Committee with a robust annual internal audit opinion.

4.2 The team is small when fully resourced, but is currently carrying a vacancy, and any further reduction in resources (i.e. staff leaving, sickness) would quickly have an impact on the deliverability of the Audit Plan. Whilst BDO, our current suppliers of IT audit, may be able to deliver some non-IT audit, this is not a long-term solution. This has been discussed with the BDO and we will engage with the new account manager.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 The Assistant Director (Corporate Services) is reviewing the structure and resourcing of the Internal Audit Service. In the short-term the Service can run with the two remaining, professionally qualified internal auditors (equating to only 1 FTE) reporting to the Assistant Director. A future plan to build a function to embed continuous assurance across HDC has been shared with Senior Leadership, the PFH and new Committee Chair.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

6.1 The Internal Audit Service through the Audit Plan contributes to all the strategic themes and outcomes. Specifically it supports the Senior Leadership Team by undertaking reviews that provide assurance that:

- significant risks identified in the risk register are managed effectively;
- laws and regulations are being met,
- business and financial processes and systems are managed effectively; and
- assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

7. RESOURCE IMPLICATIONS

7.1 The 2020/21 service budget is sufficient to support only the internal audit establishment detailed in paragraph 3.1. However, since the Audit Manager post is vacant and a decision on the future resourcing needs to be examined, the budget may need to be reconsidered in light of such a decision.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 The Committee’s Terms of Reference require it to approve the Internal Audit Plan.

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Internal Audit Plan October 2020 – March 2021

10. BACKGROUND PAPERS

The Public Sector Internal Audit Standards

CONTACT OFFICER

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Appendix 1

Internal Audit & Assurance Plan
Oct 2020 – March 21

In delivering the Internal Audit (IA) Mission Statement -

to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight and to specifically support the Council successfully achieve its vision and priorities as set out in the Corporate Plan -

it is important that IA engagements not only consider and review internal control, risk and governance issues but also:

remain future focused,
positively influence and contribute to service developments and initiatives
lead to a strengthening of the control environment, and
are performed in accordance with professional standards.

October 2020 – March 2021 Resources

There is significant uncertainty over the number of resource days that may be available to Audit in the second half of the year – due to vacancy, continuing redeployment support from auditors in recovery and government business grants obligations, possibility of buying-in extra resource, use of IDEA, etc. With so many factors affecting the resource, it is deemed impractical to attempt to provide this number of days.

It is also anticipated that, due to the nature of this unprecedented year, there should be more requests for Audit assistance and advice from Services as their systems and processes adapt to a 'new normal'. It is important/prudent therefore for the Audit Plan to be flexible and agile so that it can incorporate such service demands and reviews. It is further anticipated that work will need to be done to boost the Council's Risk Management system and assist management in bringing it up to date to become a reliable and useful tool. This, too, will come at the expense of the Audit Plan.

With this in mind, in place of an Audit Plan consisting of a formal list of audit reviews intended to be undertaken, a list of audits in priority order is given instead. A commitment can be given to those audits at the top of the list and where resources allow or more resources are added, more reviews will be carried out. There will be a minimum commitment to completing the quarterly reviews on all key financial systems.

This list incorporates: key financial systems; audits not carried out from 19.20 Plan; suggested areas from Management Team; areas where a quick delve is felt would be beneficial to the Council.

Quarterly assurance reviews for the following main financial systems:

Accounts Payable
Accounts Receivable
Housing Benefit Creditors
Housing Benefit Debtors
Council Tax
NNDR
Main Accounting System

General Reviews:

Completion of ongoing 2019/20 audits currently underway

COVID Cost Centre review
Risk issue: To ensure that all COVID-related activities and expenditure have been identified and charged to this account for recompense from the government.

Purchasing / Procurement Card review (during COVID period) – linked to above
Risk issue: controls during an emergency period are sometimes less robust and this includes controls over expenditure.
To ensure that the purchases made in the covid period were correct and justified and whether controls were applied or were relaxed.

Budget Monitoring & Control (from 19.20 Plan)

Management of Cashflow (from 19.20 Plan)

MTFS Robustness of Forecasts (from 19.20 Plan)
Section 106 Arrangements

Car Parking permits (Service request)

Income (sundry debtor procedures) (suggested by Audit team due to known concerns)
Risk issue: are the processes and procedures followed within the Income team sufficiently robust and capable of ensuring all debts are pursued/recovered in a timely manner?

Apprenticeships and Work Placements

Risk issue: Is the Council making best use of the Apprenticeship levy in terms of training staff and succession planning etc?

Market Refunds (issue area known to Audit team)
Risk issue: are refunds proportionate and economically efficient?

One Leisure Discounted memberships (suggested by Audit team)
Risk issue: are the corporate and social discounts calculated on a sound basis and adequately controlled?

Staff Training (from 19.20 Plan and request by MD)

IT audit reviews – *all of these will be undertaken exclusively to the priority list above*

Cloud Security and Strategy

Cyber Security Risk Management

Digital Services - Development and Management

Data Analytics (IDEA work in collaboration with internal audit team) – not confirmed

Follow Up (of previous audit actions)

In addition to reviewing the areas listed above, time may also be spent providing the following:

- support VfM opportunities within the council's transformation programme.
- completing reviews that are currently underway from 2019/20 plan (to include Enforcement Policy, My Dashboard/Sickness Monitoring)
- providing help and advice to managers
- Monthly 4Action reports, follow-up reviews of agreed audit actions introduced
- managing whistleblowing allegations
- engage with the National Fraud Initiative
- in-team file reviews to quality assess the audit work undertaken
- supporting the work of the Corporate Governance Committee through the annual governance statement and its annual reporting.

The Internal Audit team will commit to providing assurance work on the key financial systems as a priority and as a minimum. After this, resource will be spent on the general audit reviews listed above and be dependent upon resources made available. It is reiterated that resources may be diverted from the Team to continue to support COVID-related obligations as and when they arise or continue (eg post payment assurance requirements from the government for COVID business grants, recovery work, review of COVID charges etc). Given the limited resourcing in the team already, this year's capacity is limited and may continue to affect the assurance opinion.

Justin Andrews **Deborah Moss**
Assistant Director of Corporate Resources **Acting Internal Audit Manager**
July 2020

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Annual Report of the Committee
Meeting/Date:	Corporate Governance Committee – 23 July 2020
Executive Portfolio:	Strategic Resources: Councillor J A Gray
Report by:	Acting Internal Audit & Risk Manager
Wards affected:	All Wards

Executive Summary:
The Committee presents an annual report to the Council on the work that it has undertaken each year.

The draft annual report in respect of the 2019/20 is attached at Appendix 1. It has been prepared by the Acting Internal Audit Manager. It summarises the work undertaken by the Committee during 2019/20 together with any issues that relate to the year.

If, after considering the draft report, the Committee wish to make any changes, it is proposed that the Chairman be given authority to agree any amendments. The report will be presented to the next Full Council meeting.

The report will be uploaded onto the Council's website once it has been approved.

Recommendations:

It is recommended that the Committee:

1. Review the draft annual report and decide what changes, if any, they wish to make;
2. Authorise that the Chairman of the Committee approve any amendments to the draft report.

CONTACT OFFICER

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Corporate Governance Committee

Chairman's Annual Report to Council

for the year ending 31 March 2020

Huntingdonshire
DISTRICT COUNCIL

Introduction by the Chairman of the Corporate Governance Committee

This report summarises both the Committee's activities undertaken during 2019/20 and issues that relate to that financial year. It is intended to:

- reassure the Council and other stakeholders that it is undertaking its responsibilities and obligations properly and in a way that allows it to provide effective oversight; and

- demonstrate to the Districts residents and other stakeholders the importance that the Council places on good governance and the contribution the Committee makes to achieving that aim. The Committee's meetings are open to the public and its reports are available on the Council's webpages and I welcome the public's attendance at our meetings.

This report will be my final, outgoing report as Chairman of the Committee. I originally set out five issues for the Committee to focus upon.

1. Maintain awareness of the progress being made against the issues identified in previous annual governance statements
2. Understand what lessons can be learnt from identified issues for the future
3. Receive assurance that business continuity plans are in place, especially in those service areas that are supporting the Council's commercialisation agenda
4. Review the controls in place to rebut a cyber-security attack
5. A continued in increase in the percentage of internal audit actions introduced on time

I am happy that during the course of the year the Committee has considered these and other issues that have arisen, maintaining oversight and a monitoring role to review and challenge, and also to ensure that progress is maintained.

I hope that these priorities will remain a core focus for the Committee going forward and will continue to form part of their ongoing monitoring.
I'd like to thank all the Members who served on the Committee during the 2019/20 municipal year and for the contributions they made to challenging and improving governance arrangements. I also want to thank those Officers who have supported the Committee and those Officers and Members who have supported me in my role as Chairman.

Councillor M. McGuire
Chairman, Corporate Governance Committee (until Jan 20)
July 2020

Introduction

The Committee is required to discharge the functions of the Council in relation to both the corporate governance of the Council and the conduct of elected Members.

The Committee oversees the Council's governance and financial arrangements and the promotion and maintenance of high standards of conduct amongst the Council and Town and Parish Councils within the District of Huntingdonshire. This includes advising the Council on the Code of Conduct for Members, agreeing a Code of Conduct for Planning matters and considering reports by the Local Government Ombudsman.

Functions relating to the conduct of Members are considered by a Standards Sub-Committee (which will report to the main Committee).

The full functions of the Committee are listed in Appendix A.

Effectiveness

An effective Corporate Governance Committee can bring many benefits, including:

- raising greater awareness of the need for internal control and the implementation of agreed audit recommendations;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and other similar review process; and
- providing additional assurance through a process of independent and objective review.

The Committee's work activities have been designed so that they not only provide assurance to the Council and allow it to discharge it functions, but also allow the Committee to make a positive contribution towards maintaining good governance practices across the Council.

Committee training

In previous periods, a skills and training needs assessment form was circulated to all Committee members but was completed by only three Members. This was insufficient to allow training needs to be identified; Members need to understand their ongoing personal obligation to training.

Members of this committee should engage with the training that is available in order that they can equip themselves with the requisite knowledge to be effective on this important governance forum.

Appendix A

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

Matters considered

The table below groups into six categories the significant issues considered by the Committee during 2019/20. A brief summary of the issues considered within each of the categories is included on the following pages.

	2019 Jan	Mar	Jun	\Jul	Oct	Nov	2020 Jan
1. Constitution							
Changes to Code of Procurement		■					
2 Governance issues							
Local Code of Corporate Governance & annual governance statement (AGS)	■						
Progress on AGS							■
Governance Board effectiveness reviews							
Annual reports: Complaints					■		
: Freedom of Information	■						■
3 External Audit (EA) & financial reporting							
Approve 2018/19 annual financial report and AGS						■	
Receive EA annual audit letter & grant certification 2017/18		■					
Review EA 2018/19 audit plan	■						
Review EA 2019/20 audit plan							
4 Internal Audit							
Internal Audit Service Annual Report 2018/19			■				
Implementation of agreed actions				■			■
Approve 2019/20 audit plan		■			■		
Audit Charter review & approval					■		
5 Standards							
Member code of conduct / register of pecuniary interests / complaint	■	■	■	■	■ ■		■
6 Fraud							
Fraud Investigation Activity 2017/18			■				
Approved whistleblowing policy & noted concerns received			■				
Risk Based Verification policy			■				
Review of Regulation of Investigatory Powers Act Policy							

Appendix A

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

Reviewing the Constitution

The Council have adopted the recommendations of the Committee and introduced a number of changes to the Constitution to allow it to operate more effectively.	The Committee is responsible for proposing to Council changes to the Council's Constitution. The Council is the sole shareholder of HDC Ventures Ltd. The day-to-day operation of the company is the responsibility of its Directors. To provide a link between the Directors and the Council, the Council has appointed a Shareholder Representative. The Constitution required amending to reflect this change and terms of reference for the Shareholder Representative were considered by the Committee. Amendments were proposed in two areas, both of which were approved by Council.

Governance of the Council

Approving the Local Code of Corporate Governance.	At the June 2018 meeting the Committee approved the Local Code of Corporate Governance. The Local Code sets out the processes and procedures which taken together support the Council's governance processes.
Approving the Annual Governance Statement on behalf of the Council. **Five significant themes included in the AGS:**	The Committee approved the 2018/19 Annual Governance Statement (AGS~~)~~. The format of the AGS changed in 2017/18, moving from inward looking, focussing on improvements to governance arrangements, to a focus on significant governance themes that affect the communities of Huntingdonshire and the way that the Council operates to support and provide services to them. . 1. The themes identified for inclusion in the AGS were: Housing Affordability; 2. Morbidity / growing number of years of ill health; 3. Wider economic environment; 4. Skill levels and educational attainment, and 5. Partner agency operational issues. . These five themes remain the focus of attention and are covered in the Annual Governance Statement. It is expected that the committee will continue to view these as the strategic themes which guide decision-making. The Committee received a detailed update on the progress that had been made against each theme at

	its January 2020 meeting.
Complaints	The Committee receives an annual report on the outcome of any complaints referred to the Local Government Ombudsman as well as complaints that had been dealt with under the Council's own procedures. Members should request further information. Reports include any key lessons learnt from complaint resolutions as well as a summary of complaint themes.
External Audit matters	
Approving the 2018/19 annual financial report.	The 2018/19 financial report was externally audited and approved prior to the statutory deadline of 31 July 2019. The external auditors issued both an unqualified value for money and financial statement opinion.
Housing Benefit grant certification	Our external auditors have confirmed that there is no auditors report on the Housing Benefit grant certification process. Previously, we have requested this work separately and it is no longer part of the main audit.
Internal audit	
Adequate assurance opinion.	The Committee noted that the 2018/19 adequate assurance opinion was unchanged from 2017/18.
The annual opinion of the Internal Audit & Risk Manager as at 31 March 2019 was that the Council's internal control environment and systems of internal control provide adequate assurance over key business processes and financial systems.	There have been two substantial assurance, 16 adequate assurance and 10 limited assurance internal audit reports issued in 2017/18.
Approving the internal audit work plan and Internal Audit Charter.	The internal audit plan has historically been approved prior to the start of the financial year. The Internal Audit & Risk Manager discussed proposals with the Committee and it was agreed that two half-yearly Plans would be produced for 2019/20. Due to

the COVID Pandemic situation which had a major effect from March 2020, Audit planning has had to adopt a more flexible and risk-based approach. This will become evident in subsequent reports . J, this isnt needed as it is reporting on 2019/20 backwards reporting only.

Whilst not consulted directly, the Committee were informed that as a result of the Resources restructure, additional resource was to be allocated to the internal audit service as responsibility for insurance and risk management services was to be transferred away from internal audit and so make further time available for internal audit delivery.

Standards

Ensuring good standards are maintained throughout the District.

The Committee has received four reports during the year on various standards matters:

- The adoption of Codes of Conduct by Town and Parish Councils
- The receipt and publication of register of interests forms on behalf of District, Town and Parish Councillors
- Updates on complaint cases regarding alleged breaches of the Code of Conduct by Members within the Council and Town and Parish Councils.

When discussing the reports Members requested that feedback could be provided to Town and Parish Councils together with suggestion for possible future training areas.

Countering fraud

Corporate Fraud Teams (CFT)

The Committee remain strong supporters of the CFT and were pleased to see that in 2019/20 they had identified £671,000 fraud across the council which involved recovering a number of social housing properties through collaborative and joint working with local Social Landlords in the district and also carried out prosecutions. As a result of fraudulent SPD(what are these?) cases a record number of CT penalties were issued raising and additional £10k income . A future 12 month saving of £102,000 has been calculated based on the amount of SPD

	cases that have been investigated and corrected as a result .
Review of Regulation of Investigatory Powers Act Policy (RIPA)	The Committee approves updates to the RIPA policy. There has been no legislative changes that have needed approval but the CFT Manager continues to make sure all relevant staff and officers receive the necessary training and refresher courses in line with IPCO guidance.

The issues above deal with the core business of the Committee. A number of reports and other issues were also considered during the year that had a direct impact upon governance systems and processes across the Council:

- Considering and then approving to Cabinet, changes to the Housing Benefits risk based verification policy.
- Reviewing the Council's compliance and performance in respect of responses to enquiries received under both the Freedom of Information and Environmental Impact Regulations.
- Considering whistleblowing allegations received and changes to the whistleblowing policy and procedure.
- Considering the progress made by managers to introduce agreed internal audit actions on time.

Appendix A

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

Committee membership & attendance

		2019 June	July	Oct	Nov	2020 Jan
Chairman	Cllr M McGuire	■	■	■	--	■
Vice-Chairman	Cllr P L R Gaskin	■	■	■	■	■
	Cllr A Roberts					
	Cllr G J Bull					■
	Cllr S M Burton	■	--	■	--	■
	Cllr E R Butler	■	■	■	--	■
	Cllr S J Conboy		--	■		
	Cllr D A Giles	--	■	--	--	■
	Cllr P Kadewere	--	■	■	■	--
	Cllr D N Keane	■	■	■	■	■
	Cllr H V Masson	■	--	■	■	■
	Cllr J P Morris	--	--	--	--	--
	Cllr D R Underwood	--				
	Cllr D J Wells	--	--	--	■	
	Cllr R J West					■
	Cllr J White	--	--	--		
	Cllr S J Wilson				■	--
Key:	■ attended -- absent		Not a Cttee Member			

The following appointments were made to the Committee by the Council.

15 May 2019	Councillors E R Butler, P Kadewere, D A Giles, Dr P L R Gaskin, H V Masson, L W McGuire, J P Morris, D R Underwood, J E White, D N Keane, S M Burton and D J Wells.
24 July 2019	Councillor S J Conboy in place of former Councillor D Underwood.
9 October 2019	Councillor Mrs S Wilson in place of Councillor S J Conboy.
4 December 2019	Councillors G J Bull and R J West in place of Councillors D N Keane and D J Wells.
26 February 2020	Councillor A Roberts be appointed to the Corporate Governance Committee.

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

To discharge the functions of the Council in relation to the Corporate Governance of the Council and to be the Council's "Audit" Committee.

These responsibilities include:

Constitution	Considering proposals to change the Council's Constitutional arrangements and making appropriate recommendations to the Council.
Governance	Regularly reviewing the Council's Code of Corporate Governance and recommending any changes to the Council and approving the annual governance statement and reviewing the achievement of any outstanding improvements. Ensuring there are effective arrangements for the management of risk across the Council. To consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. Through the Chairman, the Committee will provide the Council with an Annual Report, timed to support finalisation of the financial statements and the Governance Statement, on how it has discharged its responsibilities.
Internal and External Audit	Fulfilling the Board responsibilities of the Public Sector Internal Audit Standards and ensuring effective internal audit is undertaken in accordance with those Standards. Receiving and considering external audit reports including the adequacy of management response to issues identified.
Final Accounts	Approving the accounting policies, statement of accounts and considering any matters arising from the external audit.
Countering Fraud	Reviewing and monitoring the policy and procedure and arrangements for investigating disclosures under the Public Interests Disclosure Act 1999. Monitoring the Anti-Fraud and Corruption Strategy and receive annual updates on countering fraud.
Standards	The promotion and maintenance of high standards of conduct within the Council. To advise the Council on the adoption or revision of its Codes of Conduct for Members.

Corporate Governance Committee
Functions : Approved by Council 29 March 2017

	The promotion and maintenance of high standards of conduct within the town and parish councils within Huntingdonshire.
	To advise the Council on the adoption or revision of a Protocol for Member/Officer relations.
	To advise the Council on the adoption of a Code of Conduct for Planning and monitoring operation of the Code.
Complaints	Consideration of reports by the Local Government Ombudsman including compensatory payments.
Electoral matters	Consider the periodic electoral review and review District and Parish electoral arrangements including boundaries and other electoral matters.
	Determination of Community Governance Reviews.

The Monitoring Officer, in consultation with the Chairman of the Corporate Governance Committee is authorised to appoint to the Standards Sub-Committee as and when it is required to be convened.

Standards (Hearings) Sub-Committee 3 Members of the Corporate Governance Committee plus Independent Person.	Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.

CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

Committee	Decisions	Date for Action	Action Taken	Officer Responsible	Delete from future list
02/10/2019	**Annual Complaints Report 2018** Consideration of content of future reports to include information around the compliments the Council had received.	7/10/2020	Compliments will be added to the next annual report for the period April 2019 and March 2020.	Customer Services Manager	No
22/01/2020	**Annual Report on HDC Compliance with the Freedom of Information (FOI) & Environmental Information Regulations (EIR) Acts** Agreed that future reports should include details of previous years' performance data to help identify trends.	20/01/2021	Previous years' performance data will be added to the next annual report in January 2021.	Information Governance Manager	No

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